



DRAKENSTEIN

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UNAUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2020

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Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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Drakenstein Municipality

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General Information

Executive mayor and chairperson of mayoral committee

Portfolio	Councillor
EXECUTIVE MAYOR AND CHAIRPERSON OF MAYORAL COMMITTEE	CJ POOLE
DEPUTY EXECUTIVE MAYOR & MAYORAL COMMITTEE MEMBER OF FINANCE PORTFOLIO COMMITTEE, CHAIRPERSON FINANCE COMMITTEE	GC COMBRINK
MAYORAL COMMITTEE MEMBER OF RURAL DEVELOPMENT	MA ANDREAS
MAYORAL COMMITTEE MEMBER OF SOCIAL SERVICES	E GOUWS
MAYORAL COMMITTEE MEMBER OF HUMAN SETTLEMENTS AND PROPERTY DEVELOPMENT	L CYSTER
MAYORAL COMMITTEE MEMBER OF ENVIRONMENT AND OPEN SPACES	C KEARNS
MAYORAL COMMITTEE MEMBER OF CORPORATE SERVICES	LP MOKOENA
MAYORAL COMMITTEE MEMBER OF PUBLIC SAFETY	R SMUTS
MAYORAL COMMITTEE MEMBER OF COMMUNICATION AND INTERGOVERNMENTAL RELATIONS	RH VAN NIEUWENHUIZEN
MAYORAL COMMITTEE MEMBER OF ENGINEERING SERVICES	JF LE ROUX
MAYORAL COMMITTEE MEMBER OF PLANNING & ECONOMIC DEVELOPMENT AND TOURISM	J MILLER
MAYORAL COMMITTEE MEMBER OF RECREATION, ARTS AND CULTURE	LT VAN NIEKERK

Executive management

Position	Name
CITY MANAGER	DR JH LEIBBRANDT
CHIEF FINANCIAL OFFICER	MR J CARSTENS (FROM JULY 2019 UP UNTIL MARCH 2020) MR B BROWN (FROM JUNE 2020)
EXECUTIVE DIRECTOR: CORPORATE SERVICES	MR S JOHAAR
EXECUTIVE DIRECTOR: PLANNING & DEVELOPMENT	MS L WARING
EXECUTIVE DIRECTOR: ENGINEERING SERVICES	MR M WUST
EXECUTIVE DIRECTOR: COMMUNITY SERVICES	MR G ESAU

Members of the Audit Committee

Name
CHAIRPERSON
MS K MONTGOMERY
MEMBER
MR R NAJJAAR
MEMBER
MR R NICHOLLS
MEMBER
MR C WHITTLE

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

General Information

Council members

Nr	Surname	Initials	Nr	Surname	Initials
1	ABRAHAMS	AW	34	MATTHEE	HJN
2	ADRIAANSE	MM	35	MATTHEE	J
3	AFRIKA	AF	36	MBENENE	NP
4	ANDERSON	JV	37	MDUNUSIE	MN
5	ANDREAS	MA	38	MEYER	WPD
6	ARNOLDS	RB	39	MILLER	J
7	BEKEER	A	40	MKABILE	ND
8	BESTER	TG	41	MOKOENA	LP
9	BLANCKENBERG	DS	42	MPULANYANA	TR
10	BOOYSEN	VC	43	NIEHAUS	LW
11	BUCKLE	AML	44	NOBULA	MD
12	COMBRINK	GC	45	NQORO	TZ
13	CUPIDO	FP	46	NZELE	LV
14	CUPIDO	PBA	47	POOLE	CJ
15	DE GOEDE	HR	48	RENS	SC
16	DE WET	J	49	RICHARDS	AM
17	DUBA	BP	50	ROSS	S
18	FORD	GH	51	SAMBOKWE	LS
19	GEORGE	NN	52	SAUERMAN	ND
20	GOUWS	E	53	SEPTEMBER	SE
21	JACOBS	F	54	SMIT	J
22	JONAS	SX	55	SMIT *	WE
23	KEARNS	C	56	SMUTS	R
24	KLAAS	MT	57	SOLOMONS	EA
25	KOEGELEBERG	RA	58	STOWMAN	AC
26	KOTZE	HJ	59	VAN NIEKERK	LT
27	KROUTZ	C	60	VAN NIEUWENHUVZEN	RH
28	LANDU	L	61	VAN SATEN	AJ
29	LE HOE	MJ	62	VIKA	M
30	LE ROUX	JF	63	WILLEMSE	L
31	LUGQOLA	A	64	WINDVOGEL	E
32	MANGENA	TC	65	ZIKHALI	N
33	MASOKA	ZL			

* Councillor Smit has passed away on 8 March 2020. The seat in Council is still vacant to date.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of entity	MUNICIPALITY IN TERMS OF SECTION 1 OF THE LOCAL GOVERNMENT: MUNICIPAL STRUCTURES ACT (ACT 117 OF 1998) READ WITH SECTION 155 (1) OF THE CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA (ACT 108 OF 1996)
Nature of business and principal activities	THE PROVISION OF SERVICES (ELECTRICITY, WATER, SANITATION AND REFUSE) TO COMMUNITIES IN A SUSTAINABLE MANNER, TO PROMOTE SOCIAL AND ECONOMIC DEVELOPMENT; AND TO PROMOTE A SAFE AND HEALTHY ENVIRONMENT
Legislation governing the municipality's operations	CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA (ACT 108 OF 1998) LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT (ACT NO.56 OF 2003) LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT (ACT 32 OF 2000) LOCAL GOVERNMENT: MUNICIPAL STRUCTURES ACT (ACT 117 OF 1998) MUNICIPAL PROPERTY RATES ACT (ACT OF 6 2004) DIVISION OF REVENUE ACT (ACT 1 OF 2007)
Other information	
Executive Mayor	COUNCILLOR CJ POOLE
Executive Deputy Mayor	COUNCILLOR GC COMBRINK
Speaker	COUNCILLOR AC STOWMAN
Registered head office	DRAKENSTEIN MUNICIPALITY CIVIC CENTRE BERG RIVER BOULEVARD PAARL 7646
Physical address	CIVIC CENTRE BERG RIVER BOULEVARD PAARL 7646
Postal address	P O BOX 1 PAARL 7622
Telephone	(021) 807 - 4500
Fax	(021) 872 - 8054
Bankers	FIRST NATIONAL BANK REFER TO NOTE 12
Auditors	AUDITOR-GENERAL OF SOUTH AFRICA (AGSA)
Demarcation code	WC023

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Statement

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

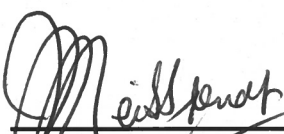
The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the Accounting Officer (accounting authority) acknowledges that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I certify that the remuneration, allowances and benefits of councillors as disclosed in note 39 to these unaudited annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The unaudited annual financial statements set out on pages 7 to 127, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003), which have been prepared on the going concern basis and which I have signed on behalf of the municipality on 31 October 2020:



DR. H. LEIBBRANDT
ACCOUNTING OFFICER

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
LGSETA	Local Government Services Sector Education and Training Authority
MSIG	Municipal System Improvement Grant
NDPG	Neighbourhood Development And Partnership Grant
SRAC	Sports, Recreation, Arts and Culture
FNB	First National Bank
DM	Drakenstein Municipality

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Non-Current Assets			
Property, plant and equipment	3	6,128,889,801	6,052,704,084
Heritage assets	4	41,223,700	41,223,700
Intangible assets	5	5,267,756	5,792,294
Investment property	6	39,558,200	37,740,000
Investments	7	82,298	124,967
Non-current receivables from exchange transactions	8	328,805	834,851
		6,215,350,560	6,138,419,896
Current Assets			
Inventories	9	26,336,815	25,326,036
Trade and other receivables from exchange transactions	10	318,042,113	271,757,059
Receivables from non-exchange transactions	11	103,680,470	71,830,585
Cash and cash equivalents	12	77,549,461	65,853,591
Current portion of long-term receivables	13	104,778	150,118
		525,713,637	434,917,389
Total Assets		6,741,064,197	6,573,337,285
Liabilities			
Non-Current Liabilities			
Borrowings	14	1,636,956,881	1,446,315,653
Finance lease liabilities	15	1,440,194	2,570,530
Employee benefits	16	171,593,001	169,980,001
Provisions	17	134,663,325	183,600,027
		1,944,653,401	1,802,466,211
Current Liabilities			
Consumer deposits	19	52,606,653	57,004,529
Payables from exchange transactions	20	386,383,374	330,633,050
Unspent conditional grants and receipts	21	29,951,738	30,584,732
Borrowings	14	19,681,848	184,388,046
Finance lease liabilities	15	1,717,999	2,657,091
VAT control	18	(788,909)	4,147,555
Employee benefits	16	99,477,512	82,362,109
		589,030,215	691,777,112
Total Liabilities		2,533,683,616	2,494,243,323
Net Assets		4,207,380,581	4,079,093,962
Net assets presented by:			
Housing development fund	22	22,000,754	16,788,195
Reserves and funds	23	1,451,197,728	1,480,380,383
Accumulated surplus	24	2,734,182,099	2,581,925,384
Total Net Assets		4,207,380,581	4,079,093,962

* See Note 49

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Exchange revenue			
Services charges - Electricity	25	1,171,403,016	1,019,090,079
Services charges - Water	25	163,949,277	167,819,935
Services charges - Waste water management	25	116,383,957	95,320,699
Services charges - Waste management	25	124,369,960	101,138,834
Sales of goods and rendering of services	26	12,754,384	16,001,550
Rental from fixed assets	27	15,991,036	9,545,827
Interest on investments	28	6,140,446	14,208,454
Dividends	29	12,600	15,120
Interest on receivables	30	6,421,577	9,574,993
Operational revenue	31	4,266,744	9,309,023
Licences or permits	32	20,240,886	17,643,029
Gain on disposal of assets	33	-	3,948,433
Total exchange revenue		1,641,933,883	1,463,615,976
Non-exchange revenue			
Property rates	34	311,891,563	271,147,341
Surcharges and taxes		852,305	1,339,281
Fines, penalties and forfeits	35	82,126,344	75,253,291
Transfers and subsidies	36	369,372,055	345,844,572
Operational revenue	31	2,368,493	14,369,654
Construction contract revenue	37	2,339,190	1,562,469
Total non-exchange revenue		768,949,950	709,516,608
Total revenue		2,410,883,833	2,173,132,584
Expenditure			
Employee related cost	38	659,311,158	660,159,716
Remuneration of councillors	39	31,026,999	29,945,187
Depreciation and amortisation	40	215,060,168	211,287,600
Impairment losses on financial assets	41	156,399,290	105,608,249
Impairment losses on PPE, IA and HA	42	293,482	1,006,785
Finance costs	43	178,474,544	158,386,287
Bulk purchases	44	778,674,807	678,014,058
Inventory consumed		55,892,033	57,697,249
Contracted services	45	147,272,713	150,775,744
Transfers and subsidies		16,656,763	22,656,356
Operational cost	46	25,777,754	74,912,004
Operating leases	47	16,995,086	31,746,286
Loss on disposal of assets	33	513,853	-
Total expenditure		(2,282,348,650)	(2,182,195,521)
Surplus (deficit) from operations		128,535,183	(9,062,937)

* See Note 49

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Property rates		316,900,163	273,011,822
Service charges		1,362,036,552	1,278,399,273
Transfers, subsidies and construction contracts revenue received		335,303,629	298,109,180
Interest		12,559,502	23,783,447
Dividends		15,120	15,120
Service provider fines		109,342,214	106,060,984
Net VAT received		-	52,472,053
Payments			
Employees		(671,609,735)	(654,884,120)
Suppliers		(1,021,677,857)	(979,971,193)
Interest paid		(121,574,332)	(144,220,980)
Net VAT paid		(4,936,469)	-
Net cash from(used) operating activities	48	316,358,787	252,775,586
Cash flows from investing activities			
Receipts			
Proceeds on disposal of fixed and intangible assets		2,793,032	33,539,652
Increase in non-current receivables		506,045	421,180
Increase in investments		37,332	-
Payments			
Capital assets		(270,566,843)	(589,035,517)
Net cash flows from investing activities		(267,230,434)	(555,074,685)
Cash flows from financing activities			
Receipts			
Increase in short-term loans		-	797,625
Increase in borrowing long-term		-	126,072,992
Increase in consumer deposits		-	12,182,156
Payments			
Decrease in short term loans		(2,069,428)	-
Decrease in borrowing long-term		(30,965,179)	-
Decrease in consumer deposits		(4,397,876)	-
Net cash flows from financing activities		(37,432,483)	139,052,773
Net increase/(decrease) in cash		11,695,870	(163,246,326)
Cash and cash equivalents at year begin		65,853,591	229,099,917
		77,549,461	65,853,591

* See Note 49

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of changes in net assets

	Housing development fund	Revaluation reserve	Accumulated surplus	Total net assets
Figures in Rand				
Opening balance as previously reported	20,527,483	1,548,084,421	2,509,655,396	4,078,267,300
Adjustments				
Correction of errors *	-	(33,395,639)	43,957,695	10,562,056
Balance at 01 July 2018 as restated*	20,527,483	1,514,688,781	2,553,613,091	4,088,829,355
(Deficit) for the year	-	-	(9,062,937)	(9,062,937)
Asset disposals	-	(5,121,475)	5,121,475	-
Transfer to Housing Development Fund	(3,739,288)	-	3,066,820	(672,468)
Offsetting of depreciation	-	(29,186,923)	29,186,923	-
Total changes	(3,739,288)	(34,308,398)	28,312,281	(9,735,405)
Restated* Balance at 01 July 2019	16,788,195	1,480,380,382	2,581,925,398	4,079,093,975
Surplus for the year	-	-	128,535,183	128,535,183
Transfer to Housing Development Fund	5,212,559	-	(5,461,144)	(248,585)
Offsetting of depreciation	-	(29,182,654)	29,182,654	-
Total changes	5,212,559	(29,182,654)	152,256,693	128,286,598
Balance at 30 June 2020	22,000,754	1,451,197,728	2,734,182,091	4,207,380,573
Note(s)	22	23	24	

* See Note 49

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Comparison of Budget and Actual Amounts for the year ended 30 June 2020

	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand										
Statement of financial performance										
Revenue										
Property rates	305,349,815	3,056,421	308,406,236	-		308,406,236	311,891,563	3,485,327	101.13 %	102.14 %
Service charges	1,604,963,938	(31,447,276)	1,573,516,662	-		1,573,516,662	1,576,106,210	2,589,548	100.16 %	98.20 %
Investment revenue	12,000,000	(6,238,337)	5,761,663	-		5,761,663	6,153,046	391,383	106.79 %	51.28 %
Transfers recognised – operational	250,727,572	35,388,594	286,116,166	-		286,116,166	193,365,938	(92,750,228)	67.58 %	77.12 %
Other own revenue	158,735,443	(14,858,568)	143,876,875	-		143,876,875	141,840,545	(2,036,330)	98.58 %	89.36 %
Total revenue (excl capital transfers and contributions)	2,331,776,768	(14,099,166)	2,317,677,602	-		2,317,677,602	2,229,357,302	(88,320,300)	96.19 %	95.61 %
Expenditure										
Employee cost	(678,529,458)	(1,609,805)	(680,139,263)	-	(482,430)	(680,621,693)	(656,890,805)	23,730,888	96.51 %	96.81 %
Remuneration of councillors	(31,709,291)	-	(31,709,291)	-	-	(31,709,291)	(31,026,999)	682,292	97.85 %	97.85 %
Depreciation and asset impairment	(215,869,778)	-	(215,869,778)	-	-	(215,869,778)	(215,353,650)	516,128	99.76 %	99.76 %
Finance charges	(162,758,940)	54,436,345	(108,322,595)	-	-	(108,322,595)	(178,474,544)	(70,151,949)	164.76 %	109.66 %
Bulk purchases	(830,676,130)	(6,080,888)	(836,757,018)	-	1,167,510	(835,589,508)	(834,566,840)	1,022,668	99.88 %	100.47 %
Transfers and grants	(18,649,823)	(2,220,023)	(20,869,846)	-	1,836,865	(19,032,981)	(16,656,763)	2,376,218	87.52 %	89.31 %
Other expenditure	(461,432,738)	(49,138,015)	(510,570,753)	-	(2,521,945)	(513,092,698)	(348,566,310)	164,526,388	67.93 %	75.54 %
Total expenditure	(2,399,626,158)	(4,612,386)	(2,404,238,544)	-	-	(2,404,238,544)	(2,281,535,911)	122,702,633	94.90 %	95.08 %
Deficit	(67,849,390)	(18,711,552)	(86,560,942)	-	-	(86,560,942)	(52,178,609)	34,382,333	60.28 %	76.90 %
Transfers and subsidies - Capital	120,907,968	39,852,002	160,759,970	-		160,759,970	180,713,796	19,953,826	112.41 %	149.46 %
Surplus after capital transfers and contributions	53,058,578	21,140,450	74,199,028	-	-	74,199,028	128,535,187	54,336,159	173.23 %	242.25 %

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Comparison of Budget and Actual Amounts for the year ended 30 June 2020

	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Figures in Rand										
Capital expenditure and fund source										
Transfers recognised – capital	146,572,968	6,087,876	152,660,844	-	-	152,660,844	144,709,088	(7,951,756)	94.79 %	98.73 %
Borrowings	222,575,332	(128,572,114)	94,003,218	-	-	94,003,218	93,963,326	(39,892)	99.96 %	42.22 %
Internally generated funds	8,881,650	52,848,479	61,730,129	-	-	61,730,129	31,085,427	(30,644,702)	50.36 %	350.00 %
	378,029,950	(69,635,759)	308,394,191	-	-	308,394,191	269,757,841	(38,636,350)	87.47 %	71.36 %
Statement of financial position										
Total current assets	560,669,044	38,911,484	599,580,528	-	-	599,580,528	525,713,637	(73,866,891)	87.68 %	93.77 %
Total non-current assets	6,311,639,781	(79,502,544)	6,232,137,237	-	-	6,232,137,237	6,215,350,557	(16,786,680)	99.73 %	98.47 %
Total current liabilities	(522,886,089)	(79,982,465)	(602,868,554)	-	-	(602,868,554)	(589,030,214)	13,838,340	97.70 %	112.65 %
Total non-current assets	(1,766,643,137)	(219,531,729)	(1,986,174,866)	-	-	(1,986,174,866)	(1,944,653,400)	41,521,466	97.91 %	110.08 %
Community wealth/equity	(4,582,779,599)	340,105,254	(4,242,674,345)	-	-	(4,242,674,345)	(4,207,380,580)	35,293,765	99.17 %	91.81 %
	-	-	-	-	-	-	-	-	- %	- %
Cash flow statement										
Net cash from (used) operating	274,979,792	(71,719,327)	203,260,465	-	-	203,260,465	316,358,786	113,098,321	155.64 %	115.05 %
Net cash from (used) investing	(408,386,329)	(105,621,373)	(514,007,702)	-	-	(514,007,702)	(267,230,434)	246,777,268	51.99 %	65.44 %
Net cash from (used) financing	85,834,917	-	85,834,917	-	-	85,834,917	(37,432,483)	(123,267,400)	(43.61)%	(43.61)%
	(47,571,620)	(177,340,700)	(224,912,320)	-	-	(224,912,320)	11,695,869	236,608,189	(5.20)%	(24.59)%

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Comparison of Budget and Actual Amounts for the year ended 30 June 2020

	Original budget	*Budget adjustments	Final adjustments budget	**Shifting of funds	***Virement	Final budget	Actual ou
Figures in Rand							

Commentary

For detail variances between the budget and the actual amounts please, refer to note 67

*budget adjustments done in terms of section 28 and section 31 of the MFMA

**shifting of funds done in terms of section 31 of the MFMA

***virement in terms of Council Approve Policy, virements must offset each other so that virements in Total Expenditure column equals zero

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

Basis of preparation

These unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

The unaudited annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standards of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with GRAP 3 as read with Directive 5. Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The principal accounting policies, applied in the preparation of the annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the notes on changes in accounting policies.

1. Summary of significant accounting policies

These standards are summarised as follows:

Reference	Description
GRAP Framework	Framework for the preparation and presentation of financial statements
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures (Revised)
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangement Grantor
GRAP 100	Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents
IFRS 4	Insurance contracts
IAS 12	Income taxes
IGRAP 1	Applying the probable test on initial recognition of revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a lease

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Summary of significant accounting policies (continued)

IGRAP 4	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies
IFRIC 12	Service concession arrangements
SIC 25	Income taxes – Changes in the status of an enterprise or its shareholders
SIC 29	Disclosure service concession
Directive 1	Repeal of existing transitional provisions in, and consequential amendments to, standards of GRAP
Directive 3	Transitional provisions for high capacity municipalities
Directive 5	Determine the GRAP reporting framework
Directive 7	The Application of Deemed Cost
Directive 11	Changes in the Measurement Bases Following the Initial Adoption of the Standards of GRAP
Guideline	Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The Cash Flow Statement is prepared using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with GRAP 3. Where required, accounting policies were developed for standards of GRAP that have been issued by the Accounting Standards Board, but for which an effective date have not been determined by the Minister of Finance.

1.1 New standards and interpretations

Standards, amendments to standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 20 on Related Party Disclosures is effective for the reporting periods beginning on or after 1 July 2019. GRAP 20 identifies disclosures necessary for the users of the unaudited annual financial statements to consider the impact (if any) that transactions and outstanding balances with related parties have on the municipality's surplus or deficit and financial position. The municipality has already based its accounting policies and disclosures on this standard, and there is therefore no further impact on the unaudited annual financial statements when this standard becomes effective.

GRAP 32 on Service Concession Arrangements: Grantor is effective for the reporting periods beginning on or after 1 July 2019. GRAP 32 prescribes the accounting for service concession arrangements by the grantor (a municipality). The municipality has not entered into any service concession arrangements to date and will therefore not be immediately affected by the Standard when it becomes effective.

GRAP 108 on Statutory Receivables is effective for the reporting periods beginning on or after 1 July 2019. GRAP 108 prescribes the accounting requirements for the recognition, measurement, presentation and disclosure of receivables that arise from legislation, supporting regulation for similar means and require settlement by another entity in cash or another financial asset. The municipality has already based its accounting policies and disclosures on this standard, and there is therefore no further impact on the financial statements when this standard becomes effective.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.1. New standards and interpretations (continued)

GRAP 109 on Accounting by Principals and Agents is effective for the reporting periods beginning on or after 1 July 2019. GRAP 109 outlines principles to be used in assessing whether the municipality is a party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such arrangement. The application of this standard will require additional disclosures, as prescribed, when effective.

IGRAP 17 on Service Concession Arrangements is effective for the reporting periods beginning on or after 1 July 2019. This interpretation has no impact on the municipality as it has not entered into any service concession arrangements.

IGRAP 18 on Recognition and Derecognition of Land is effective for the reporting periods beginning on or after 1 July 2019. This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in the unaudited annual financial statements of the municipality. It also considers joint control of land by more than one entity. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the municipality applies the applicable Standard of GRAP to account for the land once control of the land has been determined. The municipality also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

IGRAP 19 on Liabilities to Pay Levies is effective for the reporting periods beginning on or after 1 July 2019. This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the unaudited annual financial statements of the municipality that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

Standards, amendments to standards and interpretations issued, but not yet effective

At the date of authorisation of these unaudited annual financial statements, the following GRAP Standards (including Interpretations and Directives) have been issued, but are not yet effective for the year presented and have not been early adopted by the municipality:

GRAP 18 on Segment Reporting is effective for the reporting periods beginning on or after 1 July 2020. GRAP 18 establishes principles for the reporting of financial information by segments. The municipality has early adopted this Standard in current reporting period.

GRAP 110 on Living and Non-Living Resources is effective for the reporting periods beginning on or after 1 July 2020. GRAP 110 prescribes the recognition, measurement, presentation and disclosure requirements for living resources as well as disclosure requirements for non-living resources. The application of this standard will not have a material impact on the unaudited annual financial statements of the municipality when effective.

All other standards as listed above will only be effective on the date it is announced by the Minister of Finance.

The ASB Directive 5 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board or, International Financial Reporting Standards. Where a standard of GRAP has been issued, but is not in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Management has considered all of the above-mentioned GRAP standards issued but not effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.2 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all values are rounded to the nearest Rand.

1.3 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Comparative of actual information to budgeted information

Current year comparatives

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these unaudited annual financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts. Explanatory comment is provided in the notes to the unaudited annual financial statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures included in the unaudited annual financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 01 July 2019 to 30 June 2020.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the unaudited annual financial statements in determining whether a difference between the budgeted and actual amount is material.

Prior year comparatives

The comparative figures of one prior period is disclosed. When the presentation or classification of items in the unaudited annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.6 Housing development fund

The Housing Development Fund was established in terms of the Housing Act (Act No. 107 of 1997).

Housing development fund

Sections 15(5) and 16 of the Housing Act, 1997 (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. This legislated separate operating account will be known as the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(iii)(aa) read with, inter alia, Section 16(2) that the net proceeds of any letting, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the municipality for housing development, development in accordance with the National Housing Policy.

The following provisions are set for the creation and utilisation of the Housing development fund:

- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the National Minister of Human Settlements.
- Any contributions to or from the fund must be shown as transfers in the Statement of changes in net assets.
- Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year in the Statement of Financial Performance.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Housing development fund (continued)

Un-realized housing proceeds

In order to comply with Section 14(4)(d)(i) and (ii) of the Housing Act, (Act 107 of 1997) where all net proceeds need to be paid into the Housing Development Fund, it was necessary to create a holding account which represents the un-realized funds due by long-term housing selling schemes and sponsored loan debtors. This account is reduced when debtors are billed for their payment.

1.7 Revaluation reserve

Revaluation reserve

The surplus arising from the revaluation of land and buildings is credited to a nondistributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus / (deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus / (deficit) while gains or losses on disposal, based on re-valued amounts are credited or charged to the Statement of Financial Performance.

1.8 Provisions

Provisions are recognised when the municipality has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, where the provision being measured involves a large population of items; the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.9 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Property, plant and equipment (continued)

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement – cost model

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property, plant and equipment, excluding land and buildings, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Subsequent measurement – revaluation model

Subsequent to initial recognition, land and buildings are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent values every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

An increase in the carrying amount of land and buildings as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable

Drakenstein Municipality

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Accounting Policies

1.9 Property, plant and equipment (continued)

Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation rates are based on the following estimated useful lives:

Asset class	Useful lives as applied in the Asset Register (years)
Infrastructure	
• Roads and storm water	5-100
• Electricity	5-75
• Water	5-100
• Sewerage	5-100
• Solid Waste	5-100
Buildings, structures and facilities	
• Buildings	10-50
• Recreational and sports facilities	5-100
• Parks, gardens and cemeteries	5-100
• Housing assets	10-50
Other assets	
• Transport assets	5-20
• Computer and other office equipment	3-10
• Furniture and fittings	5-10
• Machinery and equipment	5-10

The useful lives, residual values and depreciation method are reviewed annually at the end of the financial year where there is any indication that the entity's expectations about the residual amount and the useful life of an asset has changed since the preceding reporting date. Any adjustments arising from the annual review are applied prospectively.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

De-recognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying values of assets (Cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Initial recognition and measurement

Intangible assets are initially recognised at cost. The cost of an intangible assets is the purchase price and other costs attributable to bring the intangible assets to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible assets is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Subsequent measurement

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible assets is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11 Investment property

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property also includes land held for an undetermined future use.

Initial recognition

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties;
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.11 Investment property (continued)

Subsequent measurement – fair value model

Investment property is subsequently measured using the fair value model. Investment property is carried at fair value, representing open market value determined by an external valuer on reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that investment property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an investment property (other than investment property under construction) is not determinable on a continuing basis, the municipality measures that investment property using the cost model (as per the accounting policy for property, plant and equipment).

Derecognition/Disposal

Investment properties are derecognised (eliminated from the Statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.12 Heritage assets

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

The municipality classifies assets as heritage assets where the significance as a heritage asset can be determined. In regards to land and buildings all graded sites are classified heritage assets. Furthermore land with a natural significance is not componentised but seen as a single heritage asset due to all parts contributing together to make up its significance.

GRAP 103 requires that land and buildings that qualify as heritage asset, but of which a significant portion of that land and buildings is held for use in the production or supply of goods or services or for administrative purposes, are recognised as property, plant and equipment, rather than heritage asset.

Initial recognition and measurement

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.12 Heritage assets (continued)

Subsequent measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets (excluding heritage assets which are land and buildings) are measured at cost less accumulated impairment losses. Heritage assets are not depreciated.

Subsequent to initial recognition, land and buildings which qualify as Heritage Assets are carried at a revalued amount based on municipal valuations less subsequent accumulated impairment losses. Revaluations are performed by external independent valuers every four years to coincide with the implementation of the general valuation such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

De-recognition of heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of financial performance as a gain or loss on disposal of heritage assets.

1.13 Inventory

Inventory consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of cost, determined on the first in first out basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventory comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventory are identified and written down to their estimated net realisable values estimated by management. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised In the Statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of financial position.

The basis of determining the cost of water purchased and not yet sold at Statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Drakenstein Municipality

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Accounting Policies

1.13 Inventory (continued)

Land inventory for BNG housing projects

The ASB issued the guideline on Accounting for Arrangements Undertaken i.t.o the National Housing Programme.

In terms of the guideline land currently controlled by the Municipality and recognised as either Property, plant and equipment or Investment Property, that has been designated for the purposes of an BNG housing development - in terms of Council's approved housing pipeline projects - meets the definition of inventory and requires reclassification to inventory.

The municipality only reclassifies the portion of land that it would not control after entering into an arrangement with the provincial Department of Human Settlements, to inventory.

Once the township development is completed, revisions that may need to be made to the values of the land initially reclassified as inventory is treated as a change in accounting estimate in terms of GRAP 3.

The carrying amount of the land up until the date of reclassification, as determined in accordance with the accounting policy of Property, plant and equipment or Investment property, is the cost amount on the date of reclassification.

Land inventory is derecognised once an agreement has been entered into with the provincial Department of Human Settlement, that passed control to the department.

1.14 Impairment of property, plant and equipment, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

Impairment of cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

Drakenstein Municipality

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Accounting Policies

1.14 Impairment of property, plant and equipment, intangible assets and heritage assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Impairment of non-cash-generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use.

The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.15 Employee benefits

The municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

Short-term employee benefits

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees.

Drakenstein Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of financial performance.

Post-retirement health care benefits

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Ex-gratia pension benefits

The municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipality (now incorporated into the Drakenstein Municipality) at 31 December 1994 (Paarl) and 31 March 1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

Long-service allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of financial performance.

National- and provincially administered defined benefit plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the projected unit credit method basis.

Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds are classified in terms of the Standard of GRAP 25 on Employee Benefits as multi-employer plans, as sufficient information is not available to apply the principals involved. As a result, this standard of GRAP is applied and such funds are accounted for as defined contribution funds.

Salaried personnel are members of the Cape Joint Pension fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956) or the SAMWU National Provident Fund.

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Accounting Policies

1.15 Employee benefits (continued)

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as an accrual in the Statement of financial position.

Provision for bonus

The municipality recognises the expected cost of bonuses as a provision only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date.

1.16 Leases

Lease classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Municipality as lessee

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of financial position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Municipality as lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

1.17 Borrowing costs

Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis. Borrowings are initially recognised at fair value, net of transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Borrowing costs are recognised as an expense in Statement of Financial Performance in the period in which they are incurred.

Drakenstein Municipality

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Accounting Policies

1.18 Financial instruments

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument.

1.18.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Finance Lease Receivables	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Current portion of Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Short-term Investment Deposits - Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Investments in stock - ESKOM	Financial assets at fair value

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- (i) Financial liabilities measured at fair value; or
- (ii) Financial liabilities measured at amortised cost.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.18 Financial instruments (continued)

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.18.2 Initial and subsequent measurement

Financial assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

Financial liabilities:

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

1.18.3 Impairment of financial assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.18 Financial instruments (continued)

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 104, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

Consumer debtors

Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Other debtors

Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

Long term debtors

- Housing loans

The loans in this group are assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

- Other long term debtors

No provision for impairment is made for Other Long term Debtors, because it is envisaged that these debts will be fully recovered.

Other financial assets at amortised cost are assessed individually for impairment.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.18.4 De-recognition of financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.18.5 De-recognition of financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Statutory receivables

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The municipality has the following major categories under the ambit of statutory receivables:

- VAT receivables
- Rates debtors
- Traffic fine debtors
- Availability charges debtors:
 - Electricity;
 - Water;
 - Waste; and
 - Waste water.

1.19.1 Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

1.19.2 Measurement

The municipality initially measures statutory receivables at their transaction amount.

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any interest or other charges that may have accrued on the receivable, impairment losses and amounts derecognised.

1.19.3 Impairment of statutory receivables

Statutory receivables, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Statutory receivables are impaired where there is objective evidence of impairment of Statutory receivables (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 108.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to GRAP 108, the assessment for impairment needs to be made for each individual financial asset separately or for groups of statutory receivables with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

Rates and availability charge debtors

Rates debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.

Traffic fines debtors

Traffic fine debtors are reviewed collectively considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.

Drakenstein Municipality

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Accounting Policies

1.19 Statutory receivables (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1.19.4 De-recognition of statutory receivable

The municipality derecognises statutory receivable only when the rights to the cash flows from the asset are settled, expires or are waived; or it transfers control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity.

If the municipality has transferred control of the receivable to another party, whilst retaining some significant risks and rewards, and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, the municipality will derecognise the receivable; and will recognise any separate rights and obligations created or retained in the transfer.

1.20 Revenue

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Recognition and measurement

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Revenue (continued)

1.20.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

Interest earned and rentals received

Interest and rentals are recognised on a time proportion basis that takes into account the effective yield on the investment. Interest may be transferred from the Accumulated Surplus to the Housing Development Fund or the Insurance Reserve.

Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Housing rental and installments

Finance income from the sale of housing by way of installment sale agreements or finance leases is recognised on a time proportion basis.

Drakenstein Municipality

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Accounting Policies

1.20 Revenue (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.20.2 Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met.

Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Revenue (continued)

Government grants and receipts

- Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

- Conditional grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

- Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance in accordance with GRAP 9.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

Services received in-kind

Services in-kind are recognised at its fair value when it is significant to the operations and/or service delivery objectives and when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. If the services in-kind are not significant to the operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, only the nature and type of services in-kind received during the reporting period is disclosed.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.21 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal) through a binding arrangement to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement to undertake transaction with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf and for the benefit of another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal -agent arrangement it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions. It is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies Judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.22 Housing arrangements

The ASB issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

Where the Municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the statement of financial performance of the municipality.

Where the Municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality's behalf. The municipality applies the GRAP 11, Construction Contracts to account for these construction activities.

Where the municipality is regarded as the project developer and if the outcome of the construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Western Cape Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of Financial Performance.

Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.23 Value Added Tax

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

1.24 Grants-in-aid

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.25 Unauthorised expenditure

Section 1 of the Municipal Finance Management Act (MFMA), No 56 of 2003, defines "unauthorised expenditure" as follows:

- a) Overspending of the total amount appropriated in the municipality's approved budget;
- b) Overspending of the total amount appropriated for a vote in the approved budget;
- c) Expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- f) A grant by the municipality otherwise than in accordance with this Act.

Section 1 of the MFMA also defines a "vote" as:

- a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

The Municipality uses departments as the main groupings of segments of the Municipality to facilitate greater accountability and budget implementation by the respective Executive Directors as well as per mSCOA classification to facilitate comparisons on a higher level.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.25 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's supply chain management policies.

1.27 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.28 Foreign currencies

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gains or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.29 Changes in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Details of changes in accounting policies, changes in estimates and correction of errors are disclosed in the notes to the annual financial statements where applicable.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.30 Related parties and related party transactions

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Accounting Officer, executive directors and all other managers reporting directly to the Accounting Officer or as designated by the Accounting Officer.

Close members of the family of a individual are those family members who may be expected to influence or be influenced by that individual in their dealings with the Municipality. An individual is considered to be a close member of the family of another individual if they are married or live together in a relationship similar to a marriage; or if they are separated by no more than two degrees of natural or legal consanguinity or affinity.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration.

In the case of permanent employees acting in management positions, only the remuneration received additionally for acting in that position is disclosed.

Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.31 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the unaudited annual financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the unaudited annual financial statements.

1.32 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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2. Key judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described above, management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Unaudited Annual Financial Statements:

Materiality

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the decisions that users make on the basis of these unaudited annual financial statements.

In preparation of the unaudited annual financial statements materiality has been considered in:

- Deciding what to report in the unaudited annual financial statements and how to present it.
- Assessing the effect of omissions, misstatements and errors on the unaudited annual financial statements.

In assessing whether an item, transaction or event is material, specific thresholds for specific items, transactions and events, or aggregations thereof has been developed. These thresholds are used to make decisions about the reporting of information (i.e. how to recognise, measure, present and disclose items, transactions and events), and used as a margin of error or framework within which to assess misstatements and errors.

Based on professional judgement the quantitative value of materiality for the 2020 financial year is set at R 12.5 million.

The municipality has also considered whether certain transactions or balances may be qualitatively material based on the inherent characteristics thereof, even though the transaction or balance is quantitatively immaterial, if:

- The item, transaction or event relates to legal or regulatory requirements.
- Related party transactions.
- The regularity or frequency with which an item, transaction or event occurs.
- The item, transaction or event results in the reversal of a trend.
- The item, transaction or event is likely to result in a change in accounting policy.
- The commencement of a new function, or the reduction or cessation of an existing function.
- The degree of estimation or judgement that is needed to determine the value of an item, transaction or event.
- An item, transaction or event that affects the going concern assumption of the municipality.

Lease classification – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Lease classification – Municipality as lessee

The Municipality has entered into a number of leases for office equipment. In determining whether a lease agreement is a finance lease or an operating lease requires judgement as to whether the agreement transfers substantially all the risks and rewards of ownership to the Municipality.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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2. Key judgements and sources of estimation uncertainty (continued)

Judgement is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term, and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The Municipality has exercised its judgement on the appropriate classification of equipment leases, and has determined a number of lease arrangements are finance leases.

Classification of Property as held for strategic purposes.

The Municipality classifies vacant land that is earmarked for future development in terms of the Municipality's Spatial Development Framework, as Property, plant and Equipment, rather than Investment Property.

Criteria for the classification of properties as Investment property rather than Properties, plant and equipment, when classification is difficult are as follows:

All properties held to earn market-related rentals or for capital appreciation or both and that are not for administrative purposes and that will not be sold in the ordinary course of operations are classified as Investment Properties.

Land held for currently undetermined future use.

Leases properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as Investment Properties. The rental revenue generated is incidental to the purposes for which the property is held.

Componentisation of Infrastructure assets

All infrastructure assets, acquired before the adoption of GRAP where the acquisition cost could not be obtained, with significant components relating to different useful lives are unbundled into their components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market replacement cost of each component, depreciated for age and condition and recalculated to deemed cost at the acquisition date if known or to the date of initially adopting the standards of GRAP. All infrastructure assets acquired after the adoption of GRAP with significant components relating to different useful lives are unbundled into their components based on the actual expenditure incurred.

Determination of Repairs and Maintenance costs

Repairs and Maintenance is based on Management's own judgement of costs incurred in cost centres responsible for the maintenance and repair of Municipal owned assets. This includes internal charges (inter departmental charges) such as internal transport costs, charged out to the different departments.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Classification of financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The Accounting Policy on Financial Instruments describes the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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2. Key judgements and sources of estimation uncertainty (continued)

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: Financial Instruments.

Impairment of financial assets

The Accounting Policy on Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considers the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate

The calculation in respect of the impairment of service debtors (receivables from exchange and non-exchange transactions) is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The calculation in respect of the impairment of fine receivables (receivables from non-exchange transactions) is based on an assessment of the past payment history of fines per category.

Valuation of Financial Assets at Fair Value

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, judgment is required in establishing fair values. Judgment includes the consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Review of useful lives of property, plant and equipment and intangible assets

The useful lives of assets are based on management's estimation. Management considers whether there is any indication that expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. These include changes in the composition, condition and nature of the asset, its susceptibility and adaptability to changes in technology and processes, the nature of the processes and environment in which the asset is deployed availability of funding to replace the asset and changes in the market in relation to the asset, as well as planned repairs and maintenance including refurbishments.

Valuation of Land and buildings and fair value estimations of Investment Property

Land and buildings were valued and the fair value of Investment property determined, by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Impairment of property plant and equipment, intangible assets, heritage assets and inventory

The Accounting Policies on Impairment of Cash and Non-cash generating assets as well as Inventory describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to the impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets and the write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: Impairment of Cash generating Assets and GRAP 26: Impairment of non-Cash generating Assets.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions, and when measuring contingent liabilities. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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2. Key judgements and sources of estimation uncertainty (continued)

Assumptions were used in determining the provision for rehabilitation of landfill sites. Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers. The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money. The increase in the rehabilitation provision due to passage of time is recognised as finance cost in the statement of financial performance.

Revenue recognition

The Accounting Policies on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality. In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions.

In particular, in regard to revenue from exchange revenue - when goods are sold, whether the municipality had transferred to the buyer the significant risks and rewards of ownership of the goods; and, when services are rendered, whether the service has been rendered.

Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. In regard to revenue from non-exchange transactions - significant estimations were made to the initial recognition and measurement of revenue on fines, on the estimated reductions on initial recognition and measurement. Based on past experience, of the amount of revenue the Municipality is entitled to collect was calculated as 96.8% of the value of the fines issued, whereas it was estimated that 82.4% of the value of the fines issued were impaired. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Budget Information

Management assumes deviations between budget and actual amounts to be material when a deviation of more than 10% exists. All material differences are explained in the notes to the unaudited annual financial statements.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020					2019
3. Property, plant and equipment						
3.1 Reconciliation of carrying value						
2020						
	Land	Infrastructure assets	Buildings, structures and facilities	Capital spares	Other assets	Total
Carrying value at 01 July 2019						
Cost	914,836,880	6,302,826,652	984,733,801	8,674,342	341,098,926	8,552,170,601
Construction work-in-progress	-	922,813,232	47,144,137	-	-	969,957,369
Accumulated depreciation	-	(3,166,563,543)	(113,800,287)	-	(189,060,039)	(3,469,423,869)
	914,836,880	4,059,076,341	918,077,651	8,674,342	152,038,887	6,052,704,101
Additions from acquisitions	5,476,159	91,645,239	30,802,540	-	10,549,042	138,472,980
Depreciation	-	(147,964,459)	(47,672,456)	-	(18,016,950)	(213,653,865)
Impairment	-	(64,435)	-	-	(229,047)	(293,482)
Other changes	-	(2,750,162)	-	(162,901)	2,750,162	(162,901)
WIP additions	-	149,233,559	17,753,167	-	-	166,986,726
	5,476,159	90,099,742	883,251	(162,901)	(4,946,793)	91,349,458
Carrying value of disposals / transfers						
Cost	(1,816,011)	(42,595,312)	-	-	(172,668)	(44,583,991)
Accumulated depreciation - disposals	-	29,331,232	-	-	89,001	29,420,233
	(1,816,011)	(13,264,080)	-	-	(83,667)	(15,163,758)
Carrying value as at 30 June 2020	918,497,028	4,135,912,003	918,960,902	8,511,441	147,008,427	6,128,889,801
Cost	918,497,028	7,024,703,509	1,028,737,845	8,511,441	354,225,462	9,334,675,285
Cost - construction work-in-progress	-	396,469,699	51,695,801	-	-	448,165,500
Accumulated depreciation	-	(3,285,261,205)	(161,472,744)	-	(207,217,035)	(3,653,950,984)
Carrying value as at 30 June 2020	918,497,028	4,135,912,003	918,960,902	8,511,441	147,008,427	6,128,889,801

The remaining useful lives of assets were adjusted during 2020, and was treated as a change in accounting estimate. All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020		2019			
3. Property, plant and equipment (continued)						
2019						
	Land	Infrastructure assets	Buildings, structures and facilities	Capital spares	Other assets	Total
Carrying value at 01 July 2018						
Cost	921,810,666	5,850,270,609	950,324,014	7,783,637	324,427,804	8,054,616,730
Construction work-in-progress	-	854,588,858	27,044,581	-	-	881,633,439
Accumulated depreciation	-	(3,032,719,172)	(65,849,954)	-	(183,213,140)	(3,281,782,266)
	921,810,666	3,672,140,295	911,518,641	7,783,637	141,214,664	5,654,467,903
Additions from acquisitions	41,664	197,683,142	27,689,709	-	30,349,190	255,763,705
Depreciation	-	(145,437,417)	(47,642,968)	-	(17,332,543)	(210,412,928)
Impairment	-	-	(416,500)	-	(590,285)	(1,006,785)
Other changes	-	-	-	890,689	-	890,689
WIP additions	-	346,834,512	27,233,234	-	-	374,067,746
	41,664	399,080,237	6,863,475	890,689	12,426,362	419,302,427
Carrying value of disposals / transfers						
Cost - disposals	(7,015,450)	(23,737,237)	(413,600)	-	(13,678,069)	(44,844,356)
Accumulated depreciation - disposals	-	11,593,047	109,135	-	12,075,928	23,778,110
	(7,015,450)	(12,144,190)	(304,465)	-	(1,602,141)	(21,066,246)
Carrying value as at 30 June 2019	914,836,880	4,059,076,342	918,077,651	8,674,326	152,038,885	6,052,704,084
Cost	914,836,880	6,302,826,652	984,733,801	8,674,326	341,098,924	8,552,170,583
Cost - construction work-in-progress	-	922,813,233	47,144,137	-	-	969,957,370
Accumulated depreciation	-	(3,166,563,543)	(113,800,287)	-	(189,060,039)	(3,469,423,869)
Carrying value as at 30 June 2019	914,836,880	4,059,076,342	918,077,651	8,674,326	152,038,885	6,052,704,084

The remaining useful lives of assets were adjusted during 2019, and was treated as a change in accounting estimate. All changes in accounting estimates are applied prospectively, accordingly no prior year adjustments were made.

3.2 Land and buildings carried at fair value

Land and buildings were revalued to fair value during the 2017/2018 financial year. The effective date of revaluation was 01/07/2017 and the valuation was performed by registered and independent valuers. The independent valuers are not connected to the municipality.

3.3 Property, plant and equipment pledged as security

No assets have been pledged as security.

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
3. Property, plant and equipment (continued)		
3.4 Impairment of property, plant and equipment		
The municipality assessed its items of property, plant and equipment, Intangible assets and Heritage assets for any potential impairment losses on assets.		
The following impairment losses were recognised during the year:		
Land and buildings	-	416,500
Infrastructure	64,435	-
Other assets: Vehicles	229,047	590,285
Total impairment recognised	293,482	1,006,785

Impairment losses on vehicles were predominantly due to the assets being damaged beyond repair.

No impairments were reversed in the current year, and no impairment losses were recognised on revalued assets directly in the Statement of changes in net assets.

3.5 Change in estimate

Useful life of property, plant and equipment reviewed

A review of the useful lives and residual values of items of property, plant and equipment has been performed. The change in the estimated useful lives and residual values of various assets of the municipality has resulted in a decrease in depreciation of R 38,858,609 (2019: R 3,196,254).

3.6 Property, plant and equipment under construction or in the process of being developed

No projects were identified where construction or development has been halted, or that is taking a significantly longer period of time to complete than expected.

3.7 Maintenance of property, plant and equipment

3.7.1 Maintenance of property, plant and equipment by nature and type of expenditure

2020

	Buildings, structures and facilities	Infrastructure assets	Other assets	Total
Expenditure				
Contracted Services	5,791,752	27,609,223	24,146,825	57,547,800
Employee Related Cost	57,558,272	102,673,745	5,633,920	165,865,937
Inventory	6,591,629	15,615,384	1,339,925	23,546,938
Operating Leases	3,932,195	-	-	3,932,195
Operation Cost	43,172	255,300	-	298,472
	73,917,020	146,153,652	31,120,670	251,191,342

Drakenstein Municipality

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3. Property, plant and equipment (continued)

2019

	Buildings, structures and facilities	Infrastructure assets	Other assets	Total
Expenditure				
Contracted Services	13,552,637	28,594,869	19,905,758	62,053,264
Employee Related Cost	57,392,273	95,590,614	4,866,144	157,849,031
Inventory	5,155,400	14,615,360	2,291,587	22,062,347
Operating Leases	8,021,574	13,032,236	101,538	21,155,348
Operation Cost	69,955	191,522	62,329	323,806
	84,191,839	152,024,601	27,227,356	263,443,796

4. Heritage assets

4.1 Reconciliation of carrying value

2020

	Land and buildings	Monuments and parks	Other assets	Total
Carrying value at 01 July 2019				
Cost	21,698,000	18,825,000	700,700	41,223,700
Accumulated impairment losses	-	-	-	-
Carrying value at 30 June 2020	21,698,000	18,825,000	700,700	41,223,700

2019

	Land and buildings	Monuments and parks	Other assets	Total
Carrying value at 01 July 2018				
Cost	21,698,000	18,825,000	700,700	41,223,700
Accumulated impairment losses	-	-	-	-
Carrying value at 30 June 2019	21,698,000	18,825,000	700,700	41,223,700

4.1.1 Heritage assets

Land and buildings Heritage assets were revalued to fair value during the 2017/18 financial period. The effective date of revaluation was 1 July 2017 and the valuation was performed by registered and independent valuers.

The comparative sales method was applied to land (historical sites and conservation areas), where comparable valid sales in a specific area was used, compared to the specific property, and market valuation derived. Due to the nature of historical buildings and monuments, i.e. where there is no comparable property sales, the generally accepted methodology of these was limited to the discounted replacement cost of the physical structures.

Included in the historical and naturally significant land and building above is amongst others the Paarl Mountain (Paarlberg) and the Paarl Arboretum. Paarl Mountain is particularly known for its mountain or "Paarl Rock". The huge granite rock is formed by three rounded outcrops that make up Paarl Mountain and is the second largest granite outcrop in the world and forms part of the Nature Reserve. The site is a Provincial Heritage Site (SAHRA Nr 9/2/069/0028).

The Paarl Arboretum is situated on the eastern bank of the Berg River, is 2.8 km long and occupies approximately 31 ha. Divided into 6 "continents" a unique feature is that trees and shrubs are grouped according to continents of origin. In excess of 2 600 trees and shrubs, entering some 650 different species can be observed.

Drakenstein Municipality

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4. Heritage assets (continued)

The following buildings owned by the Municipality, declared Provincial Heritage sites, have been classified as Heritage assets:

1. De Oude Woning, 214 Main Street, Paarl (SAHRA Nr 9/2/069/0105) dating from the late 1780's.
2. The Old Dutch Reformed Church Parsonage (now the Paarl Museum), Van der Lingen plein, Paarl (SAHRA Nr 9/2/069/0071). The Parsonage was built in 1787.
3. Ouma Granny's House, 37 Fontein Street, Wellington (SAHRA Nr 9/2/106/0012), Victorian cottage dating to 1876.
4. Coronation Arch, Victoria Jubilee Park, Church Street, Wellington (SAHRA Nr 9/2/106/0019/1), dating to 1902.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

5. Intangible assets

5.1 Reconciliation of carrying value

2020

		Computer software and systems	Plans and design	Licenses and rights	Total
Opening carrying value as at 01 July 2019					
Cost		9,696,048	1,930,927	952,704	12,579,679
Accumulated depreciation and impairment		(4,640,028)	(1,583,011)	(564,345)	(6,787,384)
		5,056,020	347,916	388,359	5,792,295
Additions from acquisitions		859,106	-	22,653	881,759
Amortisation	40	(992,965)	(312,053)	(101,281)	(1,406,299)
		(133,859)	(312,053)	(78,628)	(524,540)
Carrying value of disposals / transfers					
Cost		(818,247)	(1,841,268)	-	(2,659,515)
Accumulated depreciation and impairment		818,247	1,841,268	-	2,659,515
		-	-	-	-
Closing carrying value as at 30 June 2020		4,922,161	35,863	309,731	5,267,755
Cost		9,736,905	89,660	975,357	10,801,922
Accumulated amortisation and impairment		(4,814,745)	(53,795)	(665,626)	(5,534,166)
		4,922,160	35,865	309,731	5,267,756

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019		
5. Intangible assets (continued)				
2019				
	Computer software	Plans and design	Licenses and rights	Total
Opening carrying value as at 01 July 2018				
Cost	16,590,254	1,930,927	1,278,703	19,799,884
Accumulated depreciation and impairment	(11,495,886)	(1,501,412)	(690,323)	(13,687,621)
	5,094,368	429,515	588,380	6,112,263
Additions from acquisitions	2,231,884	-	-	2,231,884
Additions resulting from acquisitions	(683,002)	(81,600)	(110,068)	(874,670)
	1,548,882	(81,600)	(110,068)	1,357,214
Carrying value of disposals / transfers				
Cost	(9,126,091)	-	(325,999)	(9,452,090)
Accumulated depreciation and impairment	7,538,860	-	236,046	7,774,906
	(1,587,231)	-	(89,953)	(1,677,184)
Closing carrying value as at 30 June 2019	5,056,019	347,915	388,359	5,792,293
Cost	9,696,047	1,930,927	952,704	12,579,678
Accumulated amortisation and impairment	(4,640,028)	(1,583,011)	(564,345)	(6,787,384)
	5,056,019	347,916	388,359	5,792,294

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 40).

The amortisation method and useful life of Intangible assets is set out in the accounting policy note of Intangible assets.

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

6. Investment property

6.1 Reconciliation of carrying value

Opening carrying value		
Cost	37,740,000	44,390,000
Fair Value Adjustments	1,818,200	1,950,000
Carrying value of disposals / transfers		
Cost	-	(8,600,000)
Closing carrying value	39,558,200	37,740,000

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
6. Investment property (continued)		
Cost	39,558,200	37,740,000
Accumulated depreciation and impairment losses	-	-
	39,558,200	37,740,000

Criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business is set out in the accounting policy note of Investment property.

Method of Asset Valuation 2019/20

The date of fair value assessment was on 30 June 2020.

Each property was identified and inspected and fair values adjusted where appropriate. An Investment property could be described as a real estate property that has the ability of earning a return on investment, either through rental income and/or the future resale of the property or both. The methodology applied was therefore based on the so-called Open Market Value, taking into account the zoning status of the property, the cost implications of the rezoning process and any other limitations.

A register containing the information required by section 63 of the Municipal Management Finance Act is available for inspection at the registered offices of the municipality.

Revaluation of all Investment Property was performed by a Professional Associated Valuer (Reg no. 4729), Jean Marais from Real Direct Property Valuations.

Revenue and Expenditure disclosed in the Statement of Financial Performance include rental revenue earned from Investment Property to the amount of R 673,399 (2019 restated: R 658,224).

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are contractual obligations for repairs to certain Investment Properties which are leased out.

7. Investments

7.1 Carrying value of investments

2020

	Fair value	Total
Carrying value as at 30 June 2020		
Eskom stock	82,298	82,298

2019

	Fair value	Total
Carrying value as at 30 June 2019		
Eskom stock	124,967	124,967

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2020	2019
7. Investments (continued)			
7.2 Investments			
<p>The fair value of the listed investments is estimated at R 82,298 (2019: R 124,968). Fair value of Eskom stock is determined based on discounted cash flow analysis, at a discounted rate of 4.50% and 5.30%, (2019: 7.57%).</p> <p>Listed Shares are investments with a maturity period of more than 12 months and earn fixed interest rates of 13.5% per annum. The investment will mature in three equal tranches on 1 August 2019, 2020 and 2021.</p> <p>The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.</p>			
8. Non-current receivables from exchange transactions			
Other receivables			
Housing selling schemes		355,749	907,135
Public organisation		77,834	77,834
Total		433,583	984,969
Transferred to current receivables	13	(104,778)	(150,118)
Total non-current other receivables	8.1	328,805	834,851

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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8. Non-current receivables from exchange transactions (continued)

8.1 Other non-current receivables

	2020			2019		
	Gross	Impairment	Total	Gross	Impairment	Total
Housing selling schemes	721,403	(365,654)	355,749	1,102,640	(195,505)	907,135
Public organisation	77,834	-	77,834	77,834	-	77,834
Total	799,237	(365,654)	433,583	1,180,474	(195,505)	984,969

Housing selling scheme loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest, as determined by the National Minister of Housing, currently 13,5% per annum and are repayable over 20 years.

Public Organisations

Loans to public organisations are granted in terms of the National Housing Policy. The applicable interest rate and loan repayment periods are determined by the National Minister of Housing. At present these loans attract interest at 1% (buildings) and 11% (infrastructure) and are repayable over 30 years.

8.1.1 Impairment reconciliation of non-current receivables

	2020			2019		
	Opening balance	Impairment raised	Closing balance	Opening balance	Impairment raised	Closing balance
Housing selling schemes	(195,505)	(170,149)	(365,654)	(529,388)	333,883	(195,505)

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

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Figures in Rand	2020	2019
9. Inventories		
Consumables	4,898,592	3,817,729
Materials and supplies	26,149,580	26,377,043
Water	669,590	644,438
Spare parts for Plant & Equipment	107,271	170,467
Plants held for resale	78,990	46,467
Land for BNG housing	2,944,215	2,944,215
Less: Inventory held as spare parts for infrastructure assets	(8,511,423)	(8,674,323)
Total Inventories	26,336,815	25,326,036

No inventories were pledged as security for liabilities.

During the year inventory to the amount of R203,328 (2019: R 29,103) was written off due to discrepancies identified during the annual stock count. An amount of R 79,592 (2019: R 85,080) was written off due to valuation of inventory at the lower of cost and NRV in accordance with GRAP 13.

Inventories of R 8,511,423 (2019: R 8,674,324) are held as major spare parts for infrastructure assets and has been transferred to Property, Plant and Equipment.

10. Trade and other receivables from exchange transactions

Consumer receivables from exchange transactions	10.1		
Electricity		170,285,075	139,339,469
Water		56,203,158	56,730,406
Waste management		46,686,287	30,229,344
Waste water management		30,722,179	19,624,011
Housing rental scheme		1,794,836	5,534,230
Housing selling scheme		108,276	623,538
		305,799,811	252,080,998

The average credit period for Consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer receivables.

The management of the municipality is of the opinion that the carrying value of Consumer receivables approximate their fair values.

The fair value of Consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer receivables as well as the current payment ratio's of the municipality's Consumer receivables.

Other receivables from exchange transactions	10.2		
Sundry debtors		16,007,514	15,138,766
Other receivables from exchange transactions		6,933,079	8,074,693
Less: Provision for impairment		(10,698,291)	(3,537,398)
		12,242,302	19,676,061
Total receivables from exchange transactions		318,042,113	271,757,059

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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10. Trade and other receivables from exchange transactions (continued)

10.1 Consumer receivables

	2020			2019		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	191,681,922	(21,396,847)	170,285,075	150,754,568	(11,415,099)	139,339,469
Water	109,616,636	(53,413,478)	56,203,158	95,111,593	(38,381,187)	56,730,406
Waste management	55,101,822	(8,415,535)	46,686,287	35,868,575	(5,639,231)	30,229,344
Waste water management	36,325,697	(5,603,518)	30,722,179	23,187,096	(3,563,085)	19,624,011
Housing rental scheme	13,443,013	(11,648,177)	1,794,836	7,961,874	(2,427,644)	5,534,230
Housing selling scheme	1,000,864	(892,588)	108,276	812,418	(188,880)	623,538
Total consumer receivables from exchange transactions	407,169,954	(101,370,143)	305,799,811	313,696,124	(61,615,126)	252,080,998

10.1.1 Ageing of consumer receivables

2020

	Not due			Past due		
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 impaired
Consumer receivables from exchange transactions						
Aging by debt type						
Electricity	144,807,271	1,247,544	9,749,995	1,162,854	7,472,748	1,192,825
Water	31,385,775	1,453,216	4,747,567	1,489,487	3,771,703	1,464,437
Waste management	9,201,530	553,605	3,774,455	559,305	3,090,247	612,669
Waste water management	8,551,069	380,580	2,765,364	383,619	2,225,824	413,419
Housing rental schemes	877,033	347,989	871,105	348,316	716,256	397,169
Housing selling scheme	30,725	7,257	28,702	7,257	27,058	7,120
Total	194,853,403	3,990,191	21,937,188	3,950,838	17,303,836	4,087,639

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
Consumer receivables from exchange transactions					
Aging by debt type					
Electricity	29,651,909	17,793,623	191,681,923	21,396,846	26,725,350
Water	69,711,592	49,006,338	109,616,637	53,413,478	26,270,599
Waste management	39,035,591	6,689,957	55,101,823	8,415,536	38,038,361
Waste water management	22,783,441	4,425,900	36,325,698	5,603,518	22,551,690
Housing rental schemes	10,978,620	10,554,703	13,443,014	11,648,177	1,265,792
Housing selling scheme	914,379	870,954	1,000,864	892,588	84,808
Total	173,075,532	89,341,475	407,169,959	101,370,143	114,936,600

Drakenstein Municipality

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Figures in Rand	2020	2019
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10. Trade and other receivables from exchange transactions (continued)

2019

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
Consumer receivables from exchange transactions						
Aging by debt type						
Electricity	127,543,705	603,797	3,780,323	693,508	1,414,144	772,712
Water	21,373,476	2,071,063	6,482,190	2,365,486	4,506,667	2,602,480
Waste management	7,702,623	310,168	1,853,933	342,848	1,311,654	342,256
Waste water management	7,144,808	221,908	1,328,083	238,563	834,477	228,991
Housing rental schemes	420,588	48,945	317,039	54,011	277,983	81,584
Housing selling scheme	29,515	4,298	24,143	5,467	20,922	5,783
Total	164,214,715	3,260,179	13,785,711	3,699,883	8,365,847	4,033,806

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
Consumer receivables from exchange transactions					
Aging by debt type					
Electricity	18,016,396	9,345,083	150,754,568	11,415,100	12,399,560
Water	62,749,260	31,342,158	95,111,593	38,381,187	37,427,993
Waste management	25,000,366	4,643,960	35,868,576	5,639,232	22,836,889
Waste water management	13,879,729	2,873,622	23,187,097	3,563,084	12,701,113
Housing rental schemes	6,946,264	2,243,104	7,961,874	2,427,644	5,162,587
Housing selling scheme	737,838	173,332	812,418	188,880	598,321
Total	127,329,853	50,621,259	313,696,126	61,615,127	91,126,463

The impairment provision was calculated after individually assessing consumer receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of consumer debtors.

In determining the recoverability of a Consumer receivable, the municipality considers any change in the credit quality of the Consumer receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Included in the Allowance for Doubtful Debts are individually impaired Consumer receivables with a balance of R422,814 (2019: R400,868) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these Consumer receivables and the present value of the expected liquidation proceeds. The municipality holds no collateral over these balances.

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10. Trade and other receivables from exchange transactions (continued)

10.2 Other receivables from exchange transactions

	2020			2019		
	Gross	Impairment	Total	Gross	Impairment	Total
Sundry debtors	16,007,514	-	16,007,514	15,138,766	-	15,138,766
Other receivables from exchange transactions	6,933,079	-	6,933,079	8,074,693	-	8,074,693
Less: Provision for impairment	-	(10,698,291)	(10,698,291)	-	(3,537,398)	(3,537,398)
Total	22,940,593	(10,698,291)	12,242,302	23,213,459	(3,537,398)	19,676,061

10.2.1 Impairment reconciliation of consumer receivables and other receivables from exchange transactions

	2020				2019			
	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance	Opening balance	Impairment raised	Impairment reversed / debt written off	Closing balance
Consumer receivables	61,615,126	78,916,734	(39,161,717)	101,370,143	112,793,272	39,813,205	(90,991,352)	61,615,125
Other receivables	3,537,398	7,739,608	(578,715)	10,698,291	13,078,304	(8,177,898)	(1,363,008)	3,537,398
Total	65,152,524	86,656,342	(39,740,432)	112,068,434	125,871,576	31,635,307	(92,354,360)	65,152,523

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Figures in Rand		2020	2019
11. Receivables from non-exchange transactions			
Statutory receivables	11.1		
Property rates		36,651,110	32,494,814
Electricity		775,065	480,781
Water		982,541	1,424,585
Waste management		2,062,542	1,219,745
Waste water management		2,084,911	1,508,562
Fines		5,848,707	3,140,466
		48,404,876	40,268,953
Other receivables			
Grants and subsidies		49,850,072	20,802,875
Prepayments		975,283	7,078,003
Other receivables		4,430,691	3,660,987
Rental leases: straight line		19,548	19,767
		55,275,594	31,561,632
Total receivables		103,680,470	71,830,585

11.1 Receivables from non-exchange transactions

	2020			2019		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	45,230,707	(8,579,597)	36,651,110	38,295,903	(5,801,087)	32,494,814
Electricity	1,020,427	(245,362)	775,065	840,001	(359,220)	480,781
Water	1,960,307	(977,766)	982,541	1,661,262	(236,677)	1,424,585
Waste management	2,298,585	(236,043)	2,062,542	1,455,480	(235,735)	1,219,745
Waste water management	2,292,287	(207,376)	2,084,911	1,800,173	(291,611)	1,508,562
Fines	124,491,341	(118,642,634)	5,848,707	122,854,232	(119,713,765)	3,140,466
	177,293,654	(128,888,778)	48,404,876	166,907,051	(126,638,095)	40,268,953
Other receivables						
Grants and subsidies	49,850,072	-	49,850,072	20,802,875	-	20,802,875
Prepayments	975,283	-	975,283	7,078,003	-	7,078,003
Other receivables	4,430,691	-	4,430,691	3,660,987	-	3,660,987
Rental leases: straight line	19,548	-	19,548	19,767	-	19,767
	55,275,594	-	55,275,594	31,561,632	-	31,561,632
Total	232,569,248	(128,888,778)	103,680,470	198,468,683	(126,638,095)	71,830,585

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand				2020				2019			
11. Receivables from non-exchange transactions (continued)											
11.1.1 Impairment reconciliation of receivables from non-exchange transactions											
				2020				2019			
				Opening balance	Contributions	Impairment reversed / debt written off	Closing balance	Opening balance	Contributions	Impairment reversed / debt written off	Closing balance
Reconciliation of impairment provision											
Availability charges receivables				1,123,243	575,006	(31,701)	1,666,547	1,228,299	1,219,161	(1,384,217)	1,123,243
Property rates				5,801,087	4,036,016	(1,257,506)	8,579,597	5,628,517	2,817,004	(2,644,433)	5,801,087
Fines				119,713,764	69,106,895	(70,178,025)	118,642,634	110,191,099	64,013,206	(54,490,541)	119,713,764
				126,638,094	73,717,917	(71,467,232)	128,888,778	117,047,915	68,049,371	(58,519,191)	126,638,094

Drakenstein Municipality

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11. Receivables from non-exchange transactions (continued)

11.1.2 Additional information regarding receivables from non-exchange transactions

2020

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
Consumer receivables from exchange transactions						
Aging by debt type						
Property rates	19,715,839	476,616	3,927,104	476,049	2,485,969	455,025
Electricity	135,665	9,327	59,887	9,327	52,149	9,327
Water	129,748	7,270	68,427	7,270	62,131	7,270
Waste management	491,480	14,189	149,652	14,189	127,875	14,189
Waste water management	195,523	10,426	102,496	10,426	92,635	10,426
Fines	10,005,206	8,564,650	8,222,174	7,070,844	4,292,890	3,846,112
Total	30,673,461	9,082,478	12,529,740	7,588,105	7,113,649	4,342,349

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
Consumer receivables from exchange transactions					
Aging by debt type					
Property rates	19,101,795	7,171,907	45,230,707	8,579,597	17,411,887
Electricity	772,727	217,380	1,020,427	245,362	648,727
Water	1,700,001	955,955	1,960,307	977,766	860,063
Waste management	1,529,578	193,476	2,298,585	236,043	1,585,251
Waste water management	1,901,632	176,097	2,292,287	207,376	1,899,814
Fines	101,971,072	99,161,028	124,491,342	118,642,634	4,408,152
Total	126,976,805	107,875,843	177,293,655	128,888,778	26,813,894

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11. Receivables from non-exchange transactions (continued)

2019

	Not due		Past due			
	Current	Current impaired	31 - 60	31 - 60 impaired	61 - 90	61 - 90 Impaired
Consumer receivables from exchange transactions						
Aging by debt type						
Property rates	20,056,772	568,777	2,503,082	570,944	966,592	484,614
Electricity	143,324	20,676	49,259	20,942	36,255	20,812
Water	155,004	15,745	59,536	15,861	47,964	15,964
Waste management	417,618	25,415	87,037	25,398	67,029	25,398
Water waste management	200,725	21,930	88,277	21,907	66,771	21,907
Fines	3,409,553	2,903,971	6,119,095	5,193,433	4,976,074	3,843,729
Total	24,382,996	3,556,514	8,906,286	5,848,485	6,160,685	4,412,424

	Past due				
	91 - 120+	91 - 120+ impaired	Total	Total impaired	Total - Past due but not impaired
Consumer receivables from exchange transactions					
Aging by debt type					
Property rates	14,769,456	4,176,752	38,295,902	5,801,087	13,006,820
Electricity	611,163	296,789	840,001	359,220	358,133
Waste management	883,796	159,524	1,455,480	235,735	827,541
Water waste management	1,444,399	225,866	1,800,173	291,611	1,329,767
Water	1,398,758	189,107	1,661,262	236,677	1,285,326
Fines	108,349,511	107,772,633	122,854,233	119,713,766	2,634,885
Total	127,457,083	112,820,671	166,907,051	126,638,096	19,442,472

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11. Receivables from non-exchange transactions (continued)

Property Rates

Property rates receivables are statutory receivables and arise from property taxes levied on property owners based on the valuation of properties per the valuation roll in accordance with the Municipal Property Rates Act, No 6 of 2004 and Drakenstein Municipality's Property Rates Policy. A general valuation is performed every four years, with supplementary valuations in between.

The average credit period for property rates receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of property rates receivables.

The management of the municipality is of the opinion that the carrying value of property rates receivables approximate their fair values.

The impairment provision was calculated after individually assessing property rates receivables and by estimating the probability of future payment ratios, using a formula-based approach by considering the historical payment ratios and other characteristics found per groups of property rates debtors.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Traffic Fines

Traffic fines receivables are statutory receivables and arise from traffic infringements committed and fines issued as a result, in terms of the Criminal Procedure Act, No 501 of 1977.

The traffic fines must be issued within 30 days of offence, after which it is payable. No interest is charged.

The management of the municipality is of the opinion that the carrying value of traffic fines receivables approximate their fair values.

The impairment provision was calculated after collectively assessing traffic fines receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on traffic fines receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

Other Receivables

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

The claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for Other receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Other receivables.

The management of the municipality is of the opinion that the carrying value of Other receivables approximate their fair values.

Drakenstein Municipality

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Figures in Rand	2020	2019
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11. Receivables from non-exchange transactions (continued)

The fair value of Other receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other receivables. The current payment ratio's of Other receivables were also taken into account for fair value determination.

The impairment provision was calculated after individually assessing other receivables and by calculating the historical payment ratios and assuming that future payment ratios would be similar to the historical payment ratios.

The provision for doubtful debts on other receivables exist predominantly due to the possibility that these debts will not be recovered were assessed individually for impairment.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Allowance for Doubtful Debts.

12. Cash and cash equivalents

12.1 Bank accounts

The municipality has the following bank accounts:

FNB Primary Bank Account	627-023-103-85	84,293,562	8,777,432
FNB Secondary Bank Account	627-023-123-49	-	-
FNB Traffic Fines Bank Account	620-715-265-14	-	-
FNB Motor Vehicle Licensing Bank Account	628-046-375-70	-	-
Total		84,293,562	8,777,432
Bank statement balance at beginning of year		8,777,432	60,134,803
Bank statement balance at end of year		84,293,562	8,777,432
Cash book balance at beginning of year		5,949,916	3,969,323
Bank statement balance at end of year		84,293,562	8,777,432
Net movement / reconciling items		(6,776,513)	(2,827,516)
Cash book balance at end of year		77,517,049	5,949,916

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
12. Cash and cash equivalents (continued)		
12.2 Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Call deposits and investments		
Short term investment deposits	5,962	59,877,225
Cash at bank		
Bank account	77,517,049	5,949,916
Cash on hand	26,450	26,450
Total cash and cash equivalents	77,549,461	65,853,591

All account balances are cleared on a daily basis to the main account. The municipality does not have an overdraft facility with FNB.

For the purposes of the Cash Flow Statement, Bank Balances, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments less than 12 months.

The management of the municipality is of the opinion that the carrying value of bank balances, cash and cash equivalents recorded at amortised cost in the unaudited annual financial statements approximate their fair values.

The fair value of bank balances, cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

Institution	Account number	Account type		
ABSA	92-9096-7912	Call deposit	1,110	3,084,620
ABSA	92-9214-9948	Call deposit	1,104	4,021,260
ABSA	92-9416-2871	Call deposit	1,110	4,058,792
ABSA	92-9735-7532	Call deposit	1,106	4,035,730
ABSA	92-9737-3681	Call deposit	1,062	3,305,201
ABSA	40-9637-0104	Call deposit	470	40,076,216
			5,962	58,581,819
FIRST NATIONAL BANK	747-2328-2667	32 Day Call Account	-	1,277,020
INVESTEC	1400-020170-500	Call deposit	-	18,386
Total investments			5,962	59,877,225

13. Current portion of long-term receivables

Current portion of non-current receivables	104,778	150,118
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Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
14. Borrowings		
Total borrowings		
Annuity loans	1,656,638,729	1,630,703,699
Less: Current portion transferred to current liabilities		
Annuity loans	(19,681,848)	(184,388,046)
Non-current borrowings	1,636,956,881	1,446,315,653

14.1 Summary of arrangements

Annuity loans are repaid over periods varying from 3 to 17 (2019: 3 to 10) years and at interest rates varying from 9.14% to 12.278% (2019: 6.75% to 12.278%) per annum. Annuity loans are not secured. During 2019/2020 year, certain 10 year long term borrowings were restructured. As part of the restructuring, interest amounting to R56,907,180 was capitalised.

The fair value of borrowings was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix 'A' for more detail on borrowings.

15. Lease liabilities

15.1 Carrying value of lease liability

2020

	Fair value	Amortised cost	Total
Carrying value as at 30 June 2020			
Finance lease liability	-	1,440,194	1,440,194
Transferred to current liabilities	-	1,717,999	1,717,999
Total	-	3,158,193	3,158,193

2019

	Fair value	Amortised cost	Total
Carrying value as at 30 June 2019			
Finance lease liability	-	2,570,530	2,570,530
Transferred to current liabilities	-	2,657,091	2,657,091
Total	-	5,227,621	5,227,621

Drakenstein Municipality

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Figures in Rand		2020	2019
15. Lease liabilities (continued)			
15.2 Obligations under finance leases			
The municipality as lessee			
The obligations under finance leases are as follow:			
Minimum lease payments payable			
Payable within one year		1,951,234	3,027,669
Payable within two to five years		1,509,005	2,807,932
Total minimum lease payments		3,460,239	5,835,601
Less: Future finance charges		(302,046)	(607,980)
Present value of minimum lease payments		3,158,193	5,227,621
Present value of minimum lease payments			
Payable within one year		1,717,999	2,657,091
Payable within two to five years		1,440,194	2,570,530
Present value of lease obligations		3,158,193	5,227,621
Finance leases were entered into for certain photocopier machines for a lease period of 36 months, electronic cashboxes/drop safes for a lease period of 48 months. Interest rates are fixed at the inception of the agreements. No arrangements have been entered into for contingent rental payments. The minimum lease payments equals the fair value of the equipment.			
16. Employee benefits			
Non-current employee benefits			
Post employment health care benefits	16.1	136,984,000	132,524,000
Ex-Gratia pension benefits	16.2	1,304,001	1,891,000
Long service awards	16.3	33,305,000	35,565,001
		171,593,001	169,980,001
Current employee benefits			
Post employment health care benefits	16.1	9,405,000	8,816,000
Ex-Gratia pension benefits	16.2	113,000	151,000
Long service awards	16.3	4,242,000	5,757,000
Provision for bonuses	16.4	17,749,116	17,604,049
Provision for performance bonuses	16.5	2,254,517	1,509,190
Staff leave provision	16.6	48,487,309	37,496,639
Provision for TASK backpay	16.7	17,226,570	11,028,231
		99,477,512	82,362,109
Total employee benefits		271,070,513	252,342,110

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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16. Employee benefits (continued)

16.1 Post employment health care benefits

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr Niel Fourie and Mr Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Post Employee Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follow:

	Number	Number
In-service members (Employees)	731	725
Continuation members (Retirees)	228	221
Total members	959	946

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	59,147,000	57,894,000
Continuation members (Retirees)	87,242,000	83,446,000
Total liability	146,389,000	141,340,000
Non-current	136,984,000	132,524,000
Current	9,405,000	8,816,000
Total liability	146,389,000	141,340,000

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Key Health
- LA Health
- Fed Health
- Samwumed.

The Future-service Cost for the ensuing year is estimated to be R 3,839,000 whereas the Interest Cost is estimated to be R 17,570,000.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
16. Employee benefits (continued)		
i) Rates of interest		
Discount rate	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	Difference between nominal and yield curve
Health care cost inflation rate	CPI+1%	CPI+1%
Net effective discount rate	Yield curve base	Yield curve base

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

The Actuaries used the nominal and real zero curves as at 30 June 2020 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

ii) Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

iii) Normal retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

The amounts recognised in the statement of financial position are as follows:

Fair value of plan assets	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	146,389,000	141,340,000
Total benefit liability	146,389,000	141,340,000

The amounts recognised in the statement of financial performance are as follow:

Current service cost	3,734,000	3,348,000
Interest cost	13,766,000	12,156,000
Actuarial losses / (gains) recognised	(2,161,389)	10,861,605
Total post-retirement benefit included in employee related costs	15,338,611	26,365,605

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
16. Employee benefits (continued)		
Movements in the present value of the defined benefit obligation were as follow:		
Balance at the beginning of the year	141,340,000	124,485,000
Service cost	3,734,000	3,348,000
Interest cost	13,766,000	12,156,000
Benefits paid	(10,289,610)	(9,510,605)
Actuarial losses / (gains) recognised	(2,161,390)	10,861,605
Present value of fund obligation at the end of the year	146,389,000	141,340,000

Movements in the present value of the defined benefit assets were as follow:

Balance at the beginning of the year	-	-
Contributions from the employer	10,289,610	9,510,605
Benefits paid	(10,289,610)	(9,510,605)
Balance at the end of the year	-	-

The history of experienced adjustments are as follow:

	2016	2017	2018	2019	2020
Present value of defined benefit obligation	126,078,000	118,305,000	124,485,000	141,340,000	146,389,000
Fair value of plan assets	-	-	-	-	-
Deficit	126,078,000	118,305,000	124,485,000	141,340,000	146,389,000
Experienced adjustments on defined benefit obligation	-	-	-	-	-

The effect of a 1% movement in the assumed rate of health care cost inflation is as follow:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	140,478,000	150,573,000
Effect on the aggregate of the interest cost	16,834,000	18,090,000
Effect on the aggregate of the current service cost	3,625,000	3,967,000

Total accrued liability

The effect of a 20% movement in the assumed mortality rates are as follow on the ensuing years assumptions:

	-20% Mortality rate	+20% Mortality rate
Total accrued liability	156,197,000	138,086,000
Effect on the aggregate of the interest cost	18,786,000	16,540,000
Effect on the aggregate of the current service cost	4,101,000	3,608,000

The municipality expects to make a contribution of R 9,405,000 to the Defined Benefit Plan during the next financial year.

Refer to note 58 Retirement Benefit Information to the unaudited annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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16. Employee benefits (continued)

16.2 Ex-Gratia pension benefits

The municipality provides pension and retirement gratuity benefits to certain employees who were in the employment of the former Paarl and Wellington Municipalities (now incorporated into the Drakenstein Municipality) at 31/12/1994 (Wellington) and 31/03/1995 (Wellington) and still in the employment of Drakenstein Municipality at date of normal retirement, medical disability, retrenchment or death. The gratuity is calculated on the salary benefits during 1994/1995.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr Niel Fourie and Mr Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the multiplying the annual pension provided, by an appropriate annuity factor as at the valuation date.

The Ex-Gratia Pension Benefit Plan is a defined benefit plan, of which the members are made up as follow:

	Number	Number
In-service members (Employees)	165	188
Continuation members (Retirees)	5	8
Total members	170	196

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	-	-
Continuation members (Retirees)	1,417,001	2,042,000
Total liability	1,417,001	2,042,000

Non-current	1,304,001	1,891,000
Current	113,000	151,000
Total liability	1,417,001	2,042,000

Lump sum benefit	1,075,001	1,321,000
Pension benefit	342,000	721,000
	1,417,001	2,042,000

The interest-cost for the next year is estimated to be R 97,000. The actuaries are of opinion that future service cost need not be determined for pension fund liability as all benefits vests immediately.

Drakenstein Municipality

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16. Employee benefits (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follow:

i) Rates of interest

	Lump sum valuation	Lump sum valuation
Discount rate	7.35 %	8.06 %
Consumer Price Inflation (CPI)	3.14 %	4.80 %
Pension increase rate (Pensioners)	4.14 %	5.80 %
Net effective discount rate	3.08 %	2.14 %
	Pensioner valuation	Pensioner valuation
Discount rate	6.24 %	7.80 %
Consumer Price Inflation (CPI)	2.80 %	4.60 %
Pension increase rate (Pensioners)	3.80 %	5.60 %
Net effective discount rate	2.35 %	2.08 %

In accordance with GRAP 25 the discount rate was determined using the implied duration of the liability to obtain an appropriate interest rate on the yield curve. The nominal and real zero curves as at 30 June 2020 supplied by the JSE was used to determine the discounted rates and CPI assumptions.

ii) Mortality rates

Mortality before retirement has been based on the PA (90) mortality tables. These are the most commonly used tables in the industry. It was assumed that female spouses would be five years younger than their male spouses and vice versa.

iii) Normal retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

The amounts recognised in the statement of financial position are as follow:

Fair value of plan assets	-	-
Unrecognised actuarial gains / (losses)	-	-
Present value of unfunded obligations	1,417,001	2,042,000
Total benefit liability	1,417,001	2,042,000

The amounts recognised in the statement of financial performance are as follow:

Service cost	-	-
Interest cost	155,000	204,000
Actuarial losses / (gains) recognised	(696,067)	(548,592)
Total post-retirement benefit included in employee related costs (Note 38)	(541,067)	(344,592)

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
16. Employee benefits (continued)		
Movements in the present value of the defined benefit obligation were as follow:		
Balance at the beginning of the year	2,042,000	2,515,000
Service cost	-	-
Interest cost	155,000	204,000
Benefits paid	(83,932)	(128,408)
Actuarial losses / (gains) recognised	(696,067)	(548,592)
Present value of fund obligation at the end of the year	1,417,001	2,042,000

Movements in the present value of the defined benefit assets were as follow:

Balance at the beginning of the year	-	-
Contributions from the employer	(83,932)	(128,408)
Benefits paid	83,932	128,408
Balance at the end of the year	-	-

The history of experienced adjustments are as follow:

	2016	2017	2018	2019	2020
Present value of defined benefit obligation	3,369,000	2,591,000	2,515,000	2,042,000	1,417,000
Fair value of plan assets	-	-	-	-	-
Deficit	3,369,000	2,591,000	2,515,000	2,042,000	1,417,000
Experienced adjustments on defined benefit obligation	-	-	-	-	-

The effect of a 1% movement in the assumed rate of pension increase inflation is as follow:

	1% Decrease	1% Increase
Effect on the interest cost	1,404,000	1,430,000
Effect on the defined benefit obligation	96,000	98,000

The municipality expects to make a contribution of R 113,000 to the Defined Benefit Plan during the next financial year.

Refer to note 58 Retirement Benefit Information to the unaudited annual financial statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

16.3 Provision for long service awards

Provision for long-service awards	37,547,000	41,322,001
Less: Transfer to current provisions	(4,242,000)	(5,757,000)
Total non-current provisions	33,305,000	35,565,001
Non-current	33,305,000	35,565,001
Current	4,242,000	5,757,000
Total provisions at the end of the year	37,547,000	41,322,001

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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16. Employee benefits (continued)

Long service awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr Niel Fourie and Mr Julian van der Spuy of ZAQEN Actuaries Pty (Ltd). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1,833 (2019: 1,850) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follow:

Discount rate	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Difference between nominal and yield curve	Difference between nominal and yield curve
Normal salary increase rate CPI+1	CPI+1%	CPI+1%
Net effective discount rate	Yield curve base	Yield curve base

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follow:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.”

The Actuaries used the nominal and real zero curves as at 30 June 2020 supplied by the JSE to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, they used the prevailing yield at the time of performing their calculations. The methodology was changed from a point estimate to that of a curve in order to present a more accurate depiction of the liability. Previously only one discount rate was used to value all the liabilities. This changed methodology would be seen as a change in estimate basis.

The Municipality has applied for a 0% salary increase exemption from the SALGBC for the 2020/21. This has been factored in with the calculation of the liability.

The amounts recognised in the statement of financial position are as follow:

Fair value of plan assets	-	-
Present value of unfunded obligations	37,547,000	41,322,001
Total benefit provision	37,547,000	41,322,001

The amounts recognised in the statement of financial performance are as follow:

Service cost	3,044,000	2,826,000
Interest cost	4,086,000	3,899,000
Actuarial losses / (gains) recognised	(5,670,173)	(1,540,266)
Total expense included in employee related costs	1,459,827	5,184,734

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
16. Employee benefits (continued)		
Movements in the present value of the defined benefit obligation were as follow:		
Balance at the beginning of the year	41,322,001	39,286,001
Service cost	3,044,000	2,826,000
Interest cost	4,086,000	3,899,000
Benefits paid	(5,234,827)	(3,148,734)
Actuarial losses / (gains) recognised	(5,670,174)	(1,540,266)
Balance at the end of the year	37,547,000	41,322,001

Movements in the present value of the defined benefit assets were as follow:

Balance at the beginning of the year	-	-
Contributions from the employer	5,234,827	3,148,734
Benefits paid	(5,234,827)	(3,148,734)
Balance at the end of the year	-	-

The effect of a 1% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	1% Decrease	1% Increase
Effect on the defined benefit obligation	35,165,000	40,170,000
Effect on the aggregate of the current service cost	2,482,000	2,919,000
Effect on the aggregate of the interest cost	4,129,000	4,768,000

The effect of a 20% movement in the withdrawal rates are as follow on the ensuing years assumptions:

	-20% Withdrawal rate	+20% Withdrawal rate
Effect on the defined benefit obligation	39,205,000	36,047,000
Effect on the aggregate of the current service cost	2,888,000	2,515,000
Effect on the aggregate of the interest cost	4,648,000	4,239,000

The municipality expects to make a contribution of R 4,242,000 to the Defined Benefit Plan during the next financial year.

The Future-service Cost for the ensuing year is estimated to be R 2,688,000 whereas the Interest Cost is estimated to be R 4,433,000.

16.4 Provision for bonuses

The movement in provisions for bonuses are reconciled as follow:

Provision for bonuses		
Balance at the beginning of the year	17,604,049	15,233,132
Net movement	145,067	2,370,917
Balance at the end of the year	17,749,116	17,604,049
Current	17,749,116	17,604,049

Service bonuses are granted to municipal employees as a 13th cheque. An estimate amount for the provision raised is determined according to the amount accruing to employees up to June from their previous bonus payment.

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
16. Employee benefits (continued)		
16.5 Provision for performance bonuses		
Provision has been made for performance bonuses in accordance with the performance agreements with each Executive Manager and the City Manager using the best estimate of the potential performance bonus payable. The actual bonuses will only be paid once the evaluation committee appointed in terms of the Performance Management regulations has reviewed the performance agreements of the Executive Management team and made a recommendation to the Council for final approval. The performance bonuses have been provided as follow:		
Strategic management team		
Leibbrandt, JH (City Manager)	278,236	278,236
Carstens, J (Chief Financial Officer)(Until 31 March 2020)	167,658	223,545
Brown, B (Chief Financial Officer (From 1 June 2020)	18,629	-
Boshoff, GBF (Executive Director: Community Services) (Until 31 August 2018)	-	38,970
Johaar, S (Executive Director: Corporate Services)	223,545	223,545
Hattingh, D (Executive Director: Engineering Services) (Until 12 April 2019)	-	175,110
Wüst, M (Executive Director: Engineering Services) (From 1 September 2019)	186,288	-
Waring, L (Executive Director: Planning and Development)	223,544	223,544
Esau, G (Executive Director: Community Services) (From 1 November 2018)	223,545	130,401
	1,321,445	1,293,351

The movement in provisions are reconciled as follow:

Provision for performance bonuses		
Balance at the beginning of the year	1,509,190	1,428,712
Bonuses paid	(215,839)	(1,010,876)
Reversals of prior year provision	(360,278)	(201,997)
Increases in provision	1,321,444	1,293,351
Balance at the end of the year	2,254,517	1,509,190
Non-current	-	-
Current	2,254,517	1,509,190
Total provisions at the end of the year	2,254,517	1,509,190

No performance bonuses was paid out during the 2019/20 financial year, except an amount of R215,839 pertaining to the 2015/16 and 2016/17 performance evaluation that had not yet been paid to Ms AME De Beer.

16.6 Provision for staff leave

Staff leave provision	48,487,309	37,496,639
Non-current	-	-
Current	48,487,309	37,496,639
Total provisions at the end of the year	48,487,309	37,496,639

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
16. Employee benefits (continued)		
16.7 Provision for TASK backpay		
Provision for TASK backpay	17,226,570	11,028,231
Non-current	-	-
Current	17,226,570	11,028,231
Total provisions at the end of the year	17,226,570	11,028,231

Included in Employee cost is a provision for TASK backpay, due to the revaluation of post on TASK and the movement from the "Van Der Merwe" Salary scales to the TASK salary scales.

17. Provisions

Provision for rehabilitation of landfill sites	17.1	134,663,325	183,600,026
Balance of non-current provisions for rehabilitation at end of year		134,663,325	183,600,027
Balance of current provisions for rehabilitation at end of year		-	-
Balance of provisions for rehabilitation at end of year		134,663,325	183,600,027

17.1 Provision for rehabilitation of landfill sites

The movement in non-current provisions are reconciled as follow:

Balance at beginning of year	183,600,026	165,816,002
Changes in estimates: asset increase ito iGRAP2	13,744,913	13,866,380
Changes in estimates: asset decrease ito iGRAP2	(23,378,321)	-
Unwinding of discount & other changes	(39,303,293)	3,936,857
Rehabilitation expenditure during the year	-	(19,213)
Balance of provisions for rehabilitation at end of year	134,663,325	183,600,026

'The council will incur further rehabilitation cost on its unrehabilitated dumping/landfill sites over the period 2024/25 up to 2026/27 and post monitoring costs thereafter. Provision has been made for the net present value of this cost based on the status quo as at 30 June 2020. Future interventions such as the proposed height extension of the Wellington landfill site may in future adjust the date and cost of rehabilitation.

During the year the municipality revised its provision for the rehabilitation provision of landfill sites to include post-closure monitoring and inspection costs as is required by the licence conditions and as clarified in the "Accounting for Landfill Sites" guidelines issued by the Accounting Standards Board.

The net effect of the change in estimate in the current year was an decrease in provision to the amount of R48,9 million. The change will lead to a reduction of operating costs in future periods of the same amount as the post-closure monitoring and inspection costs will be funded from the provision.

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand			2020	2019
17. Provisions (continued)				
Location	Proposed rehabilitation date	Post closure monitoring date		
Wellington existing	2026/2027	2056/2057	39,640,525	60,770,822
Wellington old	2026/2027	2056/2057	22,604,265	35,001,213
Gouda	Rehabilitation complete	2048/2049	587,341	-
Saron	Rehabilitation complete	2048/2049	420,196	-
Hermon	Rehabilitation complete	2048/2049	524,017	-
Dal Josafat	2024/2025	2054/2055	10,916,163	13,193,300
Orleans	2024/2025	2054/2055	20,331,474	26,398,034
Boy Louw	2024/2025	2054/2055	37,294,079	48,236,657
Klapmuts landfill	Rehabilitation complete	2029/2030	928,963	-
Wateruintjiesvlei landfill	Rehabilitation complete	2029/2030	1,416,302	-
			134,663,325	183,600,026

JPCE is a consulting engineering and environmental consulting firm appointed to determine a high-level concept-design stage costing-value (amount) to cap and rehabilitate the landfill sites at the end of the current Financial Year (2019/2020). Their independence from management is monitored. The firm is a member and fully subscribes to the Constitution and Code of Conduct of the Council of Engineers of South Africa.

Based on the work provided by JPCE, an applicable inflation rate of 3.45%-4.50% has been determined and a discounted rate of 10.72%-11.28% has been utilised.

The funding required by the municipality to fund the rehabilitation has been assessed and based on the government bond rates with similar maturity periods. The municipality assessed the effect of discounting coupled with the future inflation rate to approximate the current cost of the expected rehabilitation cost as disclosed above.

18. VAT payable

Accrual VAT transactions	(8,791,464)	12,918,939
VAT payable (control)	8,002,555	(8,771,384)
Total	(788,909)	4,147,555

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to the VAT Act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

19. Consumer deposits

Deposits	52,606,653	57,004,529
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Guarantees held in lieu of deposits were R 21,161,656 (2019: R 16,063,607).

Consumer Deposits are paid by consumers on application for new water, electricity and refuse connections. The deposits are repaid when the accounts are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

Drakenstein Municipality

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Figures in Rand		2020	2019
20. Payables from exchange transactions			
Trade Creditors	20.1	248,936,928	213,082,874
Payments received in advance	20.2	37,987,552	22,690,833
Retention	20.3	36,778,312	49,306,190
Other payables	20.4	20,392,054	13,770,236
Nett VAT accrual on outstanding receivables	20.5	42,288,528	31,782,917
Total		386,383,374	330,633,050
20.1 Trade Creditors			
Eskom Limited (Bulk Purchases)		157,303,329	140,032,888
Other trade creditors		91,633,599	73,049,986
Total		248,936,928	213,082,874
20.2 Payments received in advance			
Payments received in advance		37,987,552	22,690,833
20.3 Retention			
Retentions		36,778,312	49,306,190
20.4 Other payables			
Other payables and accruals		20,093,733	13,481,751
Rental leases: straight lining		298,321	288,485
Total		20,392,054	13,770,236
20.5 Nett VAT accrual on outstanding receivables			
VAT accrual on receivables		53,660,893	39,075,397
VAT on provision for doubtful debt		(11,372,365)	(7,292,480)
Total		42,288,528	31,782,917

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

The amount payable to ESKOM included in trade and other payables are for the May and June accounts. The Municipality did not owe ESKOM any debt older than 30 days during 2019/20.

The VAT accrual on outstanding receivables, refers to the VAT portion of outstanding receivables, which is not yet payable to SARS, as the Municipality is registered on the payments basis for VAT with SARS, in accordance with Section 15(2)(a) of the Value-Added Tax Act No 89 of 1991.

Drakenstein Municipality

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Figures in Rand	2020	2019
21. Payables from non-exchange transactions		
Unspent conditional grants and receipts		
Conditional grants from other spheres of government		
National Government (Unconditional Grants)	-	-
National Government (Conditional Grants)	652,078	639,327
Provincial Government (Conditional Grants)	21,108,212	25,815,792
Other Grants	7,204,240	3,142,404
Guarantees and Donations (Unconditional)	987,208	987,209
Total conditional grants and receipts	29,951,738	30,584,732

These amounts are separately invested in terms of section 12 of the MFMA. Refer note 36 for more detail of grants from National and Provincial Government.

Refer to Appendix "C" for more detail on Conditional Grants.

22. Housing development fund

Realising housing proceeds

Balance at beginning of the year	15,607,722	18,413,017
Plus : Interest and redemption, and other on housing schemes	134,790	224,981
Plus : (Net Loss) / Surplus on letting schemes	5,842,380	(2,132,826)
Less : Housing subsidies expenditure	(383,373)	(897,449)
Balance at the end of the year	21,201,519	15,607,723

Unrealised housing proceeds

Balance at beginning of the year	1,180,473	2,114,466
Long term housing loans	(381,238)	(933,994)
Balance at the end of the year	799,235	1,180,472
Total	22,000,754	16,788,195

The Housing Development Fund is not cash backed, as the value of outstanding housing receivables exceeds the value of the fund.

23. Reserves and funds

Re-valuation reserve	1,451,197,728	1,480,380,383
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The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made when it is in accordance with the requirements of the municipality's accounting policy. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's. These restrictions do not apply to any amounts transferred to the Accumulated Surplus. Council do not currently intend to make any distribution from the Revaluation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

Drakenstein Municipality

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Figures in Rand	2020	2019
24. Accumulated surplus/ (Deficit)		
Total Accumulated Surplus	2,734,182,099	2,581,925,384
The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.		
Refer to Statement of changes in net assets for more detail and the movement on Accumulated Surplus.		
25. Service charges		
Electricity		
Sale of Electricity	1,218,737,240	1,071,368,672
Less: Income forgone	(47,334,224)	(52,278,593)
Total	1,171,403,016	1,019,090,079
Water		
Sale of Water	175,680,380	184,157,813
Less: Income forgone	(11,731,103)	(16,337,878)
Total	163,949,277	167,819,935
Waste management		
Waste management (solid waste)	155,887,732	138,258,426
Less: Income forgone	(31,517,772)	(37,119,592)
Total	124,369,960	101,138,834
Waste water management		
Waste water management (sewerage and sanitation)	133,764,324	116,246,238
Less: Income forgone	(17,380,367)	(20,925,539)
Total	116,383,957	95,320,699
Total service charges	1,576,106,210	1,383,369,547
26. Sales of goods and rendering of services		
Building Plan Approval	5,437,127	8,012,679
Camping Fees	1,750,219	2,207,848
Cemetery and Burial	3,471,888	3,142,365
Cleaning and Removal	348,084	423,695
Entrance Fees	615,510	384,909
Laboratory Services	107	-
Legal Fees	962,910	1,637,698
Library Fees	13,322	21,861
Photocopies and Faxes	143,265	157,244
Sale of Goods	11,952	13,251
Total	12,754,384	16,001,550

Drakenstein Municipality

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Figures in Rand	2020	2019
27. Rental from fixed assets		
Land and buildings	1,983,094	1,949,782
Housing rental	33,672,974	30,790,948
Other rental revenue	1,850,785	1,505,072
Less: Income forgone	(21,515,817)	(24,699,975)
Total	15,991,036	9,545,827
Operating leases (municipality as lessor)		
At Statement of Financial Performance date the Municipality has contracted with tenants for the following future minimum lease payments.		
Within one year	240,863	666,068
In second to fifth year inclusive	666,046	1,145,466
After five years	182,812	125,712
Total	1,089,721	1,937,246
The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 up to 32 years (2019: 2 up to 32 years) being subject to increased lease payments.		
All contingent lease payments are based on the actual contract value of the property leased and the escalations vary from 7.5% up to 12.32%.		
No other restrictions were imposed.		
28. Interests on investments		
Short-term investments and call accounts	6,140,446	14,208,454
29. Dividends		
External investment	12,600	15,120
30. Interest earned from receivables		
Exchange receivables	6,421,577	9,574,993

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
31. Operational revenue		
Revenue from exchange transactions		
Operation revenue from exchange transactions	4,266,744	9,309,023
Revenue from non-exchange transactions		
Goods and services received in kind	2,368,493	14,369,654
Exchange Revenue	4,266,744	9,309,023
Non-exchange revenue	2,368,493	14,369,654
Total operational revenue	6,635,237	23,678,677

Services received in kind

Included in goods and services in kind, is an amount of R0 (2019: R14,165,305) related to interest payable on an external loan that was waived by DBSA as a grant from the IIPSAS fund was received by the DBSA (the lender). This grant covered a part of the interest payable on the loan received from the DBSA during the 2017/2018 year. In terms of GRAP 23, where lenders waive their right to collect a debt owed by an entity, revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven.

32. Licences or permits

Exchange revenue	20,240,886	17,643,029
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Included in licenses and permits is an amount of R14,067,528 (2019: R13,537,700) received from the Department of Transport and Public Works as agency fees for motor vehicle license services, which the Municipality performs on behalf of the Department of Transport and Public Works.

33. Gain/(Loss) on disposal of fixed and intangible assets

Gains /(losses) on disposals of fixed assets	33.1	(2,326,716)	2,002,228
Fair value adjustment	33.2	1,812,863	1,946,205
Total		(513,853)	3,948,433

33.1 Gains / (losses) on disposals

Gains / (losses) on disposal on PPE, IA, IP & HA	(2,247,124)	4,268,359
Gains / (losses) from assets from non-exchange transactions	-	39,911
Gains / (losses) on inventory	(79,592)	(2,306,042)
Total	(2,326,716)	2,002,228

33.2 Fair value adjustment

Investment property	1,818,200	1,950,000
Financial assets	(5,337)	(3,795)
Total	1,812,863	1,946,205

Drakenstein Municipality

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
34. Property rates		
Residential properties	267,055,508	212,715,017
Agricultural property	57,359,173	57,650,326
Business and commercial properties	87,178,470	94,894,902
State-owned properties	28,346,623	25,812,412
Less: Income forgone	(128,048,211)	(119,925,316)
Total	311,891,563	271,147,341

Valuation as at 30 June 2020

Residential	39,781,258,837	35,849,214,870
Agricultural	8,496,836,800	8,521,896,600
Commercial	7,466,017,700	10,580,458,972
State-owned properties	3,604,996,855	2,470,077,050
Total property valuations	59,349,110,192	57,421,647,492

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 01 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A uniform rate for the same class and type of property was applied with the implementation of the Property Rates Act. A rate on different categories was applied to property valuations to determine assessment rates. Rebates of 50% are applied to pensioners. A discount of 20% was granted to the state institutions.

Rates are levied monthly on property owners and are payable the 15th of each month for monthly rate payers of Drakenstein areas and 15th October for annual payers. Interest is levied at the prime rate on outstanding rates amounts.

35. Fines, penalties and forfeits

Fines, penalties and forfeits	35.1	82,126,344	75,253,291
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35.1 Fines, penalties and forfeits

Traffic fines

Service provider fines	80,838,912	74,103,860
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Other fines

Building fines	46,348	5,000
Illegal connections - Electricity	132,638	177,810
Overdue books	64,052	100,036
Pound fees	1,044,394	866,585
	1,287,432	1,149,431
Total	82,126,344	75,253,291

36. Transfers and subsidies - Revenue

Operational

Allocations	188,658,256	168,125,090
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Capital

Allocations	180,713,799	177,719,482
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Total	369,372,055	345,844,572
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Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
36. Transfers and subsidies - Revenue (continued)		
Unconditional grants		
Equitable share	150,601,000	137,518,000
Other	31,011,342	7,178,454
Operational grants	181,612,342	144,696,454
Conditional grants		
National Government	101,071,554	66,277,203
Provincial Government	89,455,664	137,363,776
Provincial Government	-	(117,295)
Total conditional grants	190,527,218	203,523,684
Subtotal	372,139,560	348,220,138
Offsetting of housing expenditure where municipality is seen as an agent	(429,953)	(813,097)
Recognition of revenue in terms of GRAP 11	(2,339,190)	(1,562,469)
Total Government Grant and Subsidies	369,370,417	345,844,572
National Government (Unconditional Grants)		
Balance unspent at beginning of year	-	-
Current year	150,601,000	137,518,000
Conditions met - transferred to revenue	(150,601,000)	(137,518,000)
Conditions still to be met - transferred to liabilities	21 -	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy for the basic charges of Electricity, Refuse Removal, Sewerage and Water Services, the subsidy is adjusted as tariffs increase. All qualifying registered indigent households receive 6 kl water and 50 kWh electricity free every month.		
National Government (Conditional Grants)		
Balance unspent at beginning of year	(639,327)	(10,643,587)
Current year receipts	(101,084,304)	(56,272,943)
Conditions met - transferred to revenue	101,071,554	66,277,203
Conditions still to be met - transferred to liabilities	21 (652,077)	(639,327)
These grants were used to construct infrastructure assets for the Municipality. Other than the unspent amount, the conditions of the grant have been met.		
This grant received from National Government are for operational and capital expenditure projects related to budget reform and implementation of the MFMA. Other than the unspent amount, the conditions of the grant have been met.		
Provincial Government (Conditional Grants)		
Balance unspent at beginning of year	(25,815,792)	(39,335,163)
Current year receipts	(84,749,719)	(123,844,405)
Conditions met - transferred to revenue	89,455,664	137,363,776
Conditions still to be met - transferred to liabilities	21 (21,109,847)	(25,815,792)

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2020	2019
36. Transfers and subsidies - Revenue (continued)			
Conditions not met - repaid to grant provider		-	60,000
Conditions not met - repaid to grant provider		-	57,295
Conditions still to be met - transferred to liabilities	21	-	117,295

These grants received from Provincial Government are for operational and capital expenditure such as Revenue from Housing Grants and the related housing operating expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounted to R 429,953 (2019: R 813,097). In terms of a GRAP interpretation, where a municipality is regarded as an agent, the revenue should be set off against the operating expenditure.

Other Grants

Balance unspent at beginning of year		(3,142,404)	(2,783,564)
Current year receipts		(27,443,618)	(2,209,423)
Conditions met - transferred to revenue		23,381,782	1,850,583
Conditions still to be met - transferred to liabilities	21	(7,204,240)	(3,142,404)

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld. These include monetary capital in-kind.

Guarantees , donations and other contributions

Balance unspent at beginning of year		(987,208)	(987,208)
Current year receipts		(7,629,561)	(5,327,871)
Conditions met - transferred to revenue		7,629,561	5,327,871
Conditions still to be met - transferred to liabilities	21	(987,208)	(987,208)

These grants received from other institutions are for operational and capital expenditure projects. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld

37. Construction contract revenue

Housing projects

Kingston / Lantana (Construction)		1,151,849	1,562,469
Simondium (Planning)		1,187,341	-
Total		2,339,190	1,562,469

Revenue and expenses on housing contracts are recognized by reference to the stage of completion of the specific contract.

38. Employee related cost

Total employee related cost	38.2	659,311,158	660,159,716
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Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

2020

2019

38. Employee related cost (continued)

38.1 Senior management costs

2020

	JH Leibbrandt City manager	J Carstens Chief financial officer	B Brown Chief Financial Officer	S Joaar Executive Director: Corporate Services	D Hattingh Executive Director: Engineering Services	M Wüst Executive Director: Engineering Services	LA Waring Executive Director: Planning and Development	G Esau Executive Director: Community Services	E Saayman Acting Executive Director: Community Services	C Lotz Acting Executive Director: Engineering Services	AMC De Beer Executive Director: Corporate Services	C Geldenhuys Acting Executive Director: Engineering Services	Total
Cost to company package	1,987,402	1,197,560	133,062	1,596,747	-	1,330,623	1,596,747	1,596,747	-	-	-	-	9,438,888
Other allowances & reimbursement	36,924	14,610	2,091	25,097	149	1,487	43,004	25,097	18,375	8,099	149	6,524	181,606
Leave and other lumpsum payments	-	135,319	-	-	17,687	-	-	-	-	-	-	-	153,006
Performance bonuses	-	-	-	-	-	-	-	-	-	-	215,839	-	215,839
	2,024,326	1,347,489	135,153	1,621,844	17,836	1,332,110	1,639,751	1,621,844	18,375	8,099	215,988	6,524	9,989,339

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand										2020	2019
38. Employee related cost (continued)											
2019											
	JH Leibbrandt City manager	J Carstens Chief financial officer	S Johaar Executive Director: Corporate Services	D Hattingh Executive Director: Engineering Services	GBF Boshoff Executive Director: Community Services	LA Waring Executive Director: Planning and Development	G Esau Executive Director: Community Services	V Petersen Acting Executive Director: Community Services	E Saayman Acting Executive Director: Community Services	Total	
Cost to company package	1,989,187	1,548,261	1,598,532	1,252,331	318,601	1,598,532	932,477	-	-	9,237,921	
Other allowances & reimbursement	30,452	-	23,313	25,377	-	23,313	13,599	12,186	45,900	174,140	
Leave and other lumpsum payments	-	-	-	-	-	-	-	-	-	-	
Performance bonus	263,981	166,643	166,643	166,643	80,321	166,643	-	-	-	1,010,874	
	2,283,620	1,714,904	1,788,488	1,444,351	398,922	1,788,488	946,076	12,186	45,900	10,422,935	

The City Manager and Executive Directors are remunerated in terms of the Upper Limits of Total Remuneration Packages Payable to Municipal Managers and Managers Directly Accountable to Municipal Managers, issued in terms of the Local Government: Municipal Systems Act 32 of 2000.

The Remuneration of Executives as disclosed above refer to the actual amounts paid to them during the 2019/20 and 2018/19 years respectively. No performance bonuses was paid out during the 2019/20 financial year (2019: R1,010,876), except an amount of R215,839 pertaining to the 2015/16 and 2016/17 performance evaluation that had not yet been paid to Ms AME De Beer and which was provided for previously. A provision was made for the 2019/20 performance bonuses to the City Manager and Executive Directors in terms of their performance contracts - refer to Note 6 Provision for Performance Bonusses.

Where other officials acted in the Executive Director positions and was remunerated accordingly, only the additional remuneration for acting in that position is disclosed.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
38. Employee related cost (continued)		
38.2 Municipal staff costs		
Basic salary	443,023,550	426,570,671
Social Contributions	99,472,690	91,575,497
Travel or Motor Vehicle	27,092,375	28,508,156
Housing Benefits	4,318,705	4,861,151
Overtime payments	26,292,036	36,437,635
Acting and Post Related Allowances	1,231,265	1,292,968
Shift Additional Remuneration	2,362,260	2,002,979
Standby Allowance	9,061,813	10,992,384
Night Shift	3,181,854	2,779,133
Workman Compensation	2,420,354	2,935,787
Cellular and Telephone	3,880,950	2,736,191
Contribution to leave reserve	13,556,420	6,186,738
Provision for performance bonuses	961,166	1,091,354
Provision for TASK backpay	6,198,351	11,028,238
Defined Benefit Plan Expenses: Post Employment Health Care		
Current Service Cost	3,734,000	3,348,000
Actuarial (Gains) / Losses	(2,161,390)	10,861,605
Interest Cost	13,766,000	12,156,000
Defined Benefit Plan Expenses: Ex Gratia Pension Benefits		
Current Service Cost	-	-
Actuarial (Gains) / Losses	(696,068)	(548,592)
Interest Cost	155,000	204,000
Defined Benefit Plan Expenses: Long Services		
Current Service Cost	3,044,000	2,826,000
Actuarial (Gains) / Losses	(5,670,173)	(1,540,266)
Interest Cost	4,086,000	3,899,000
Less: Costs Recharged to capital projects	-	(44,913)
Total	659,311,158	660,159,716

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
39. Remuneration of councillors		
Executive Mayor (Poole, CJ)	1,046,997	1,006,728
Deputy Executive Mayor (Combrink, GC)	837,597	805,382
Speaker (Stowman, AC)	837,597	805,382
Chief Whip (Koegelenberg, RA)	785,247	755,045
Mayoral Committee Members		
Mayoral Committee Member Of Rural Development (MA Andreas)	785,247	755,045
Mayoral Committee Member Of Social Services (E Gouws)	785,247	87,284
Mayoral Committee Member Of Social Services (W Philander)	-	561,446
Mayoral Committee Member Of Human Settlements And Property Development (L Cyster)	785,247	755,045
Mayoral Committee Member Of Environment And Open Spaces (C Kearns)	785,247	755,045
Mayoral Committee Member Of Corporate Services (LP Mokoena)	785,247	755,045
Mayoral Committee Member Of Public Safety (R Smuts)	785,247	755,045
Mayoral Committee Member Of Communication And Intergovernmental Relations (RH Van Nieuwenhuizen)	785,247	755,045
Mayoral Committee Member Of Engineering Services (JF Le Roux)	785,247	755,045
Mayoral Committee Member Of Planning & Economic Development And Tourism (J Miller)	785,247	755,045
Mayoral Committee Member Of Recreation, Arts And Culture (LT Van Niekerk)	785,247	755,045
All other councillors	16,826,307	16,252,900
Cellphone & data allowances	2,834,200	2,868,031
Reimbursive travel allowances	6,584	7,584
Total	31,026,999	29,945,187

In Kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, and Mayoral Committee members are employed full-time. Each is provided with an office, administrative and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Mayor and other full-time Mayoral Committee members have access to Council owned vehicles for ceremonial and official functions.

Councillors receive a total cost to company package as determined by the Notice for "Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils", issued in terms of Remuneration of Public Office Bearers Act, 1998, and may structure it as it wishes, furthermore they receive a maximum of R44,200 per year (2019: R44,200) as a cellphone and data allowance in accordance with the notice. Other councillors receive an average of R331,335 (2019: R318,591) per year, except the chairperson of MPAC, who receives an average of R423,214 (2019: R408,860) per year.

Furthermore councillors receive the benefit of special risk insurance cover (SASRIA) as provided for in terms of the notice. This insurance cover, should cover the loss of or damage to a councillor's personal immovable or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2020	2019
39. Remuneration of councillors (continued)			
List the name of the councillor which at any time during the relevant financial year was in arrears for more than 90 days.		Amount outstanding for more than 90 days	
JULY 2019			
CL GEORGE N/NN			1,542
AUGUST 2019			
CL GEORGE N/NN			1,859
DECEMBER 2019			
CL SMIT J/DR			673
JANUARY 2020			
CL VAN NIEKERK HW/LT			742
			4,816
40. Depreciation and amortisation			
Amortisation			
Intangible assets	5.1	1,406,299	874,669
Depreciation			
Property, plant and equipment	3	213,653,869	210,412,931
Total		215,060,168	211,287,600
41. Impairment losses on financial assets			
Contribution (to)/from provision for impairment to surplus and deficit			
Consumer receivables and availability charges receivables		83,162,545	47,190,813
Statutory receivables: Property Rates		3,959,701	(5,595,770)
Statutory receivables: Traffic fines		69,106,895	64,013,206
Long term receivables		170,149	-
Total		156,399,290	105,608,249
Drakenstein Municipality uses the allowance account (provision for impairment) against which actual debts written off are recorded. During the year, the following debt was written off against the allowance account.			
Bad debts written-off			
Consumer receivables and availability charges receivables		(39,772,133)	(93,738,576)
Statutory receivables: Property Rates		(1,257,506)	(2,644,433)
Statutory receivables: Traffic Fines		(70,137,705)	(54,490,540)
Total		(111,167,344)	(150,873,549)
42. Impairment losses on PPE, IA and HA			
Impairment losses on fixed assets recognised			
Property, plant and equipment		293,482	1,006,785

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2020	2019
43. Interest, dividends and rent on land			
Interest	43.1	178,474,544	158,386,287
43.1 Interest cost			
Financial liabilities			
• Long-term liabilities - interest paid		121,132,523	143,899,763
• Long-term liabilities - interest capitalised due to restructuring		56,907,180	-
• Finance leases		434,841	321,219
		178,474,544	144,220,982
Long-term liabilities - non-exchange transaction		-	14,165,305
Total		178,474,544	158,386,287

Included in goods and services in kind, is an amount of R0 (2019: R14,165,305) related to interest payable on an external loan that was waived by DBSA as a grant from the IIPSAS fund was received by the DBSA (the lender). This grant covered a part of the interest payable on the loan received from the DBSA during the 2017/2018 year. In terms of GRAP 23, where lenders waive their right to collect a debt owed by an entity, revenue arising from debt forgiveness is measured at the carrying amount of the debt forgiven.

Included in interest paid is interest amounting to R56,903,698 (2019: R0) that was capitalised during 2019/2020 year, when a number of long-term loans of the municipality was restructured.

44. Bulk purchases

Electricity: Eskom	768,854,341	673,707,616
Water	9,820,466	4,306,442
Total	778,674,807	678,014,058

44.1 Electricity losses

Reconciliation of kWh losses

KWh units purchased	713,972,614	728,501,883
KWh units sold	(693,022,704)	(688,291,696)
KWh loss (Technical and Non-technical)	20,949,910	40,210,187

Average value of losses (cost)	22,560,291	37,185,778
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Percentage loss:

Technical losses	2.93 %	5.52 %
Norm of losses	10.00 %	10.00 %

Reasons for losses:

- Technical losses
- Unmetered services
- Theft

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
44. Bulk purchases (continued)		
44.2 Water losses		
System input volume (Kilolitres)	12,051,013	10,428,832
Billed metered consumption (Kilolitres)	(9,983,321)	(8,836,669)
Total kilolitres loss (Technical and Non-technical)	2,067,692	1,592,163
Comprising of:		
Technical losses	2,038,876	1,377,669
Non-technical losses	28,816	214,494
Total	2,067,692	1,592,163
Percentage loss: *		
Technical losses	16.92 %	13.21 %
Non-technical losses	0.24 %	2.06 %
Total	17.16 %	15.27 %
Norm of losses:	15.00 %	15.00 %

Reasons for losses:

- Burst pipes
- Use of unmetered fire water connections at flat buildings and factories.
- Open spaces & sports fields that are still unmetered
- Undetected leaks underground
- Scouring of mainlines and reservoirs as part of the operational procedure to ensure good water quality

*The water losses per the Annual Financial Statements takes into account water that was metered but not billed. Whereas the Annual Performance Report shows an actual technical water loss of 16.92% (2019: 13.21%), as unbilled metered water is not taken into account.

45. Contracted services

Consultants and professional services	45.1	25,978,258	29,894,064
Contractors	45.2	107,296,338	115,509,390
Outsourced services	45.3	13,998,117	5,372,290
Total		147,272,713	150,775,744

45.1 Consultants and professional services

Business advisory services	19,803,833	23,990,354
Legal advice and litigation	4,450,466	4,962,450
Other consultants and professional services	1,723,959	941,260
Total consultants and professional services	25,978,258	29,894,064

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
45. Contracted services (continued)		
45.2 Contractors		
General services		
Housing project expenditure	2,488,215	4,011,414
Catering services	390,942	991,017
Management of informal settlements	1,704,015	824,661
Other contractor services	5,270,049	8,274,520
Safeguard and security	37,553,076	33,974,077
Total general services	47,406,297	48,075,689
Maintenance services		
Maintenance of buildings and facilities	5,746,857	13,898,521
Maintenance of equipment	27,381,563	21,190,984
Maintenance of unspecified assets	26,761,621	32,344,196
Total maintenance service	59,890,041	67,433,701
Total contractor	107,296,338	115,509,390
45.3 Outsourced services		
General services		
Traffic Fines Management	2,467,625	2,538,728
Refuse Removal	7,607,833	86,400
Other outsourced services	3,922,659	2,747,162
Total general services	13,998,117	5,372,290
46. Operational cost		
Advertising, Publicity and Marketing	2,777,864	5,132,143
Bank Charges, Facility and Card Fees	4,740,868	4,862,752
Commission	8,033,812	9,238,766
Communication	6,106,989	7,223,031
Contribution to provision for rehab of landfill site	(38,841,081)	3,936,857
External Audit Fees	7,013,381	7,435,898
External Computer Service	7,803,726	6,676,476
Insurance Underwriting	7,060,379	7,404,776
Licences	2,291,253	2,218,306
Other operational cost	3,339,472	4,258,854
Printing, Publications and Books	1,808,976	2,500,151
Professional Bodies, Membership and Subscription	6,609,273	6,262,545
Skills Development Fund Levy	4,874,458	5,180,039
Uniform and Protective Clothing	2,158,384	2,581,410
Total	25,777,754	74,912,004

Refer to note 17 for an explanation on the reversal of the provision for the rehabilitation of landfill site.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
47. Operating leases		
Operating leases	16,995,086	31,746,286
Operating leases (municipality as lessee)		
Land and buildings		
Payable within one year	7,892,893	7,456,491
Payable in second to fifth year inclusive	8,846,993	16,739,885
Payable after five years	-	-
Total	16,739,886	24,196,376
The Municipality has significant current lease arrangements for land and buildings over a period varying from 2 years and 4 months up to 9 years and 11 months being subject to increased lease payments.		
All contingent lease payments are based on the actual contract value of the property leased and the escalations vary from 5.6% up to 8.5% (2019: 5.6% up to 8.5%).		
No other restrictions were imposed.		
48. Net cash from/(used) operating activities		
Surplus (deficit) after capital transfers and contributions	128,535,183	(9,062,937)
Adjustments for:		
Depreciation and amortisation	215,060,168	211,287,600
(Gains) / Losses on disposal of assets	2,247,122	(4,268,359)
Fair value adjustment	(1,818,200)	(1,950,000)
Increase / (Decrease) in provisions	(48,936,701)	17,784,025
Impairment loss	293,481	1,006,789
Housing Development Fund	(248,583)	(672,449)
Provision for landfill rehab - iGRAP 2 adjustment	10,095,621	(13,866,380)
Assets from capital grant in-kind	(35,774,620)	(29,121,525)
Gain on assets from non-exchange transactions	-	(39,911)
Fair value adjustments on listed stock	5,337	3,791
Capitalisation of interest	56,900,212	-
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(33,271,531)	7,375,229
(Increase) / Decrease in inventory	(847,879)	(1,529,085)
(Increase) / Decrease in receivables from exchange transactions	(46,325,059)	(27,614,998)
(Increase) / Decrease in Long term receivables	45,340	178,930
(Increase) / Decrease in post retirement benefits and long services	18,728,400	35,016,428
Increase / (Decrease) in trade and other payables	57,239,956	39,101,166
Increase / (Decrease) in unspent conditional grants and receipts	(632,994)	(23,120,377)
Increase / (Decrease) in other current liabilities	(4,936,466)	52,267,649
Net cash flows from operating activities	316,358,787	252,775,586

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019			
49. GRAP 3 adjustments					
i) Adjustments of statement of financial performance items					
Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Revenue					
Revenue from exchange transactions					
Services charges	1,332,489,665	26,179,909	-	24,699,974	1,383,369,548
Sales of goods and rendering of services	16,001,550	-	-	-	16,001,550
Rental from fixed assets	34,245,803	-	-	(24,699,974)	9,545,829
Finance income and dividends	23,798,567	-	-	-	23,798,567
Operational revenue - Exchange	9,309,022	-	-	-	9,309,022
Licences or permits	17,643,030	-	-	-	17,643,030
Gain on disposal of assets	-	-	-	3,948,435	3,948,435
Revenue from non-exchange transactions					
Property rates	271,147,343	-	-	-	271,147,343
Surcharges and taxes	1,339,281	-	-	-	1,339,281
Fines, penalties and forfeits	75,253,291	-	-	-	75,253,291
Transfers and subsidies	345,188,088	2,218,952	(1,562,469)	-	345,844,571
Operational revenue - Non-exchange	14,369,654	-	-	-	14,369,654
Construction contract revenue	-	-	1,562,469	-	1,562,469
Total revenue	2,140,785,294	28,398,861	-	3,948,435	2,173,132,590
Expenditure					
Employee related cost	671,960,597	(11,800,889)	-	-	660,159,708
Councillor related cost	29,945,188	-	-	-	29,945,188
Depreciation and amortisation	210,624,362	663,236	-	-	211,287,598
Impairment losses on financial assets	-	-	-	105,608,249	105,608,249
Impairment losses on PPE, IA and HA	-	-	-	1,006,785	1,006,785
Interest paid	158,386,286	-	-	-	158,386,286
Bulk purchases - electricity	673,707,616	-	-	-	673,707,616
Bulk purchases - water	4,306,442	-	-	-	4,306,442
Inventory	57,435,330	539,495	-	-	57,974,825
Contracted services	146,585,479	3,912,675	-	-	150,498,154
Transfers and subsidies	22,656,356	-	-	-	22,656,356
Operational cost	74,857,070	54,937	-	-	74,912,007
Operating leases	31,688,152	58,136	-	-	31,746,288
Total expenditure	2,082,152,878	(6,572,410)	-	106,615,034	2,182,195,502
Gains and losses					
Impairment losses on financial assets	105,608,249	-	-	(105,608,249)	-
Impairment losses on PPE, IA, HA	1,006,785	-	-	(1,006,785)	-
Gains (Losses) on disposal of assets	(4,509,285)	240,925	-	4,268,360	-
Fair value adjustment on financial assets	3,795	-	-	(3,795)	-
Fair value adjustment on investment property	(1,950,000)	-	-	1,950,000	-
Gains (Losses) on inventory	2,306,042	-	-	(2,306,042)	-
Gains from assets from non-exchange transactions	(39,912)	-	-	39,912	-
	102,425,674	240,925	-	(102,666,599)	-
Surplus for the year	(43,793,258)	34,730,346	-	-	(9,062,912)

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019			
49. GRAP 3 adjustments (continued)					
ii) Adjustment of statement of financial position					
Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets					
Non-current assets					
Property, plant and equipment	6,037,650,655	15,053,443	-	-	6,052,704,098
Heritage assets	41,223,700	-	-	-	41,223,700
Intangible assets	5,792,294	-	-	-	5,792,294
Investment property	37,740,000	-	-	-	37,740,000
Non-current investments	124,968	-	-	-	124,968
Non-current receivables from exchange transactions	834,850	-	-	-	834,850
	6,123,366,467	15,053,443	-	-	6,138,419,910
Current assets					
Inventories	25,326,036	-	-	-	25,326,036
Trade and other receivables from exchange transactions	276,075,704	315,027	(4,633,048)	-	271,757,683
Receivables from non-exchange transactions	82,038,478	(14,841,563)	4,633,048	-	71,829,963
Cash and cash equivalents	65,853,590	-	-	-	65,853,590
Current portion of long-term receivables	150,118	-	-	-	150,118
	449,443,926	(14,526,536)	-	-	434,917,390
Total assets	6,572,810,393	526,907	-	-	6,573,337,300
Net assets and liabilities					
Non-current liabilities					
Borrowings	1,446,315,652	-	-	-	1,446,315,652
Lease liabilities	2,570,530	-	-	-	2,570,530
Employee benefits	169,980,000	-	-	-	169,980,000
Provisions	183,600,026	-	-	-	183,600,026
	1,802,466,208	-	-	-	1,802,466,208
Current liabilities					
Consumer deposits	57,004,529	-	-	-	57,004,529
Trade and other payables from exchange transactions	362,975,484	(32,342,432)	-	-	330,633,052
Unspent conditional grants and receipts	31,354,236	(769,503)	-	-	30,584,733
Borrowings	184,388,046	-	-	-	184,388,046
Lease liabilities	2,657,091	-	-	-	2,657,091
VAT payable (Control)	4,000,227	147,330	-	-	4,147,557
Employee benefits	94,162,998	(11,800,889)	-	-	82,362,109
	736,542,611	(44,765,494)	-	-	691,777,117
Total net assets					
Housing development fund	16,788,195	-	-	-	16,788,195
Reserves and funds	1,513,286,226	(32,905,843)	-	-	1,480,380,383
Accumulated surplus	2,503,727,153	78,198,244	-	-	2,581,925,397
	4,033,801,574	45,292,401	-	-	4,079,093,975
Total net assets and liabilities	6,572,810,393	526,907	-	-	6,573,337,300

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019				
49. GRAP 3 adjustments (continued)						
iii) Adjustment of cash flow statement						
	Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Cash flows from operating activities						
Property rates		273,011,822	-	-	-	273,011,822
Sale of goods and services		1,252,219,365	26,179,908	-	-	1,278,399,273
Transfers, subsidies and construction contract revenue		295,890,227	2,218,952	-	-	298,109,179
Interest received		23,783,447	-	-	-	23,783,447
Dividends received		15,120	-	-	-	15,120
Other receipts and fines received		106,060,984	-	-	-	106,060,984
Net VAT received		52,472,054	-	-	-	52,472,054
Payments						
Employees cost		(654,884,120)	-	-	-	(654,884,120)
Suppliers		(964,416,531)	(15,434,129)	-	-	(979,850,660)
Interest paid		(144,220,981)	-	-	-	(144,220,981)
Net cash from operating activities		239,931,387	12,964,731	-	-	252,896,118
Cash flows from investing activities						
Purchase of property, plant and equipment and intangible assets		(576,123,335)	(13,032,715)	-	-	(589,156,050)
Proceeds on disposal of property, plant and equipment		33,471,669	67,984	-	-	33,539,653
Decrease/(Increase) in non-current receivables		421,180	-	-	-	421,180
Cash flows from financing activities						
Increase in short-term loans		126,072,992	-	-	-	126,072,992
Increase in consumer deposits		12,182,156	-	-	-	12,182,156
Increase/(Decrease) in financial lease liability		797,625	-	-	-	797,625
Net increase/(decrease) in cash		(163,246,326)	-	-	-	(163,246,326)
Cash and cash equivalents at the beginning of the year		229,099,917	-	-	-	229,099,917
Cash and cash equivalents at the end of the year		65,853,591	-	-	-	65,853,591
Net increase/(decrease) in cash		(163,246,326)	-	-	-	(163,246,326)

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2020	2019			
49. GRAP 3 adjustments (continued)						
(iv) Adjustment of opening balances						
	Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Net assets						
Accumulated surplus 1 July 2017		2,509,655,396	-	-	-	2,509,655,396
Adjustment to property, plant and equipment		-	37,758,533	-	-	37,758,533
Adjustment to building plans		-	2,263,539	-	-	2,263,539
Adjustment to retention		-	4,784,265	-	-	4,784,265
Adjustment to BICL's		-	13,448,592	-	-	13,448,592
Adjustment to housing debtors		-	(14,297,234)	-	-	(14,297,234)
Total		2,509,655,396	43,957,695	-	-	2,553,613,091
Revaluation reserve 1 July 2017		1,548,084,422	-	-	-	1,548,084,422
Adjustment to property, plant and equipment		-	(33,395,640)	-	-	(33,395,640)
Total		1,548,084,422	(33,395,640)	-	-	1,514,688,782
	Note	Previously reported	Correction of error	Change in accounting policy	Re-classification	Restated
Assets and liabilities						
Property, plant and equipment (Opening balance as at 1 July 2018)		5,653,641,447	705,936	-	-	5,654,347,383
VAT control (Opening balance as at 1 July 2018)		48,471,827	(351,735)	-	-	48,120,092
Trade and other receivables from exchange transactions (Opening balance as at 1 July 2018)		248,832,757	282,839	(4,973,535)	-	244,142,061
Receivables from non-exchange transactions (Opening balance as at 1 July 2018)		88,573,929	(15,066,738)	4,973,535	-	78,480,726
Trade and other payables from exchange transactions (Opening balance as at 1 July 2018)		316,821,152	(24,222,249)	-	-	292,598,903
Unspent conditional grants and receipts (Opening balance as at 1 July 20xx)		53,749,523	(769,504)	-	-	52,980,019

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
49. GRAP 3 adjustments (continued)		
v) Detail notes affected by the reclassification		
Due to the implementation of a new financial statements tool, all gains and losses were disclosed in a new note to the Statement of Financial Performance and the nett effect is either disclosed in the income or expenditure section.		
Reclassification of rental income forgone		
The income forgone portion of rental income was incorrectly included in service charges during the 2019 financial year and this was reclassified during the year.		
		2019
(Increase) / decrease in Revenue from exchange transactions		
Service charges		(24,699,974)
Rental from fixed assets		24,699,974
		<u>-</u>
vi) Detail notes affected by the change in accounting policy		
The following change in accounting policies were implemented:		
a) Reclassification of grants from housing projects		
In terms of the Housing guideline issued by the Accounting Standards Board, where construction costs are incurred in terms of a housing grant, where the municipality is seen as a developer, GRAP 11 must be used. Consequently the grant received must be recognised in terms of GRAP 11, as opposed to GRAP 23 as applied in prior years.		
		2019
(Increase) / decrease in Revenue from exchange transactions		
Transfers and subsidies		(1,562,469)
Construction Contract Revenue		1,562,469
		<u>-</u>
b) Availability charges in terms of GRAP 108		
GRAP 108, Statutory Receivables became effective at the start of the 2019/20 year and should be applied retrospectively. Due to availability charges falling within the definition of a Statutory receivable, a reclassification was necessitated.		
		2019
(Increase) / decrease in Revenue from exchange transactions		
Increase / (decrease) in trade receivables from exchange transactions (Opening Balance 1 July)		(4,973,535)
Increase / (decrease) in receivables from non-exchange transactions (Opening Balance 1 July)		4,973,535
		<u>-</u>
		2019
(Increase) / decrease in Revenue from exchange transactions		
Increase / (decrease) in Trade receivables from exchange transactions		(4,633,672)
Increase / (decrease) in receivables from non-exchange transactions		4,633,672
		<u>-</u>

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
49. GRAP 3 adjustments (continued)		
vii) Detail notes affected by the prior period correction		
a) Property, plant and equipment		
During the financial year several errors on PPE were corrected. These corrections resulted mainly from the review of properties included in the register. Properties were corrected which were subdivided, not within the control of the municipality or not previously included in the asset register.		
		2019
(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2018)		(37,758,534)
Increase / (Decrease) in PPE (Opening Balance 1 July 2018)		705,936
Decrease / (increase) in Revaluation reserve (Opening Balance 1 July 2018)		33,395,640
Decrease / (increase) in Trade and other payables (Opening Balance 1 July 2018)		3,374,118
Increase / (decrease) in Trade receivables from exchange transactions (Opening Balance 1 July 2018)		282,839
(Increase) / decrease in Transfers and subsidies		
Grants for capital		(2,218,952)
(Increase) / decrease in Contracted services		
Maintenance of unspecified assets		3,182,904
Increase / (decrease) in Depreciation		
Depreciation		663,236
(Increase) / decrease in gains/(losses) on disposal of PPE, IA & HA		
Gains/(losses) on disposal of PPE, IA & HA		240,925
Decrease / (increase) in trade and other Payables		
Payments received in advance		(16,336,152)
Retention		120,533
Increase / (Decrease) in Property, plant and equipment		
Property, plant and equipment		14,347,507
(Increase) / decrease in Accumulated Surplus		
Offsetting of depreciation		489,797
Decrease / (increase) in Revaluation reserve		
Offsetting of depreciation		(489,797)
		-

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
49. GRAP 3 adjustments (continued)		
b) Building plans		
During the year it was identified that transactions were erroneously included in the document and electronic invoicing system, which was used as the basis for calculation of the provision for payments received in advance. This error was corrected retrospectively.		
		2019
(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2018)		(2,263,539)
Increase / (Decrease) in VAT control (Opening Balance 1 July 2018)		(351,735)
Decrease / (increase) in Trade and other payables (Opening Balance 1 July 2018)		2,615,274
		-
c) Retention		
Detailed review with user departments confirmed finalisation and the lapse of retention balances of certain projects. These retention corrections were adjust retrospectively.		
		2019
(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2018)		(4,784,265)
Decrease / (increase) in Trade and other payables (Opening Balance 1 July 2018)		4,784,265
		-
d) Bulk Infrastructure Contribution Levies (BICL)		
After meetings held with the appropriate user departments and review of their Bulk Infrastructure Contribution Levies registers, it was identified that some entries were incorrectly marked as being refundable. These adjustment were made retrospectively.		
		2019
(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2018)		(13,448,593)
Decrease / (increase) in Trade and other payables (Opening Balance 1 July 2018)		13,448,593
(Increase) / decrease in Service Charges		
Electricity services		(26,179,908)
Decrease / (increase) in Trade and other payables		
Payments received in advance		26,179,908
		-
e) TASK provision		
A detail review was performed on the TASK provision created, and it was confirmed that not all entries have an audited outcome in term of the TASK evaluation process. These entries were corrected retrospectively.		
		2019
(Increase) / decrease in Employee Related Cost		
TASK backpay		(11,800,889)
Decrease / (increase) in Current portion of defined benefit obligations		
Provision for TASK backpay		11,800,889
		-

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
49. GRAP 3 adjustments (continued)		
f) Invoices paid relating to prior year		
During the review of transactions, it was discovered that invoices relating to 2018/19 was paid during the current year. This was corrected retrospectively.		
		2019
Increase / (decrease) in contracted services		
Business and Advisory		27,500
Electrical		254
Maintenance of building and facilities		405,567
Maintenance of equipment		26,489
Maintenance of unspecified assets		117,150
Safeguard and security		152,812
Increase / (decrease) in operating leases		
Operating leases		58,136
Increase / (decrease) in inventory		
Inventory		539,495
Increase / (decrease) in operational cost		
Advertising, publicity and marketing		13,375
Communication		38,442
Insurance underwriting		1,650
Uniform and protective clothing		1,470
(Increase) / decrease in VAT control		
Accrual input VAT		204,405
Decrease / (increase) in Trade and other payables		
Other trade creditors		(1,586,745)
		-
g) Housing debtors		
During the year housing debtors were reviewed and corrections were retrospectively adjusted.		
		2020
(Increase) / decrease in Accumulated Surplus (Opening Balance 1 July 2018)		14,297,234
Decrease / (increase) in Unspent conditional grants (Opening balance 1 July 2018)		769,504
(Decrease) / increase in Receivables from non-exchange transactions (Opening balance 1 July 2018)		(15,066,738)
		-

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
49. GRAP 3 adjustments (continued)		
h) Payables and receivables		
Detailed review of receivable and payable balances in the prior year, some balances were found to have been incorrectly classified in the prior year. These classification corrections were adjust retrospectively.		
	2020	
(Decrease) / increase in Receivables from non-exchange transactions	225,175	
(Decrease) / increase in Trade receivables from exchange transactions	32,188	
Decrease / (increase) in Trade and other payables	(257,363)	
	<u>-</u>	

viii) Detail notes affected by the restatement of notes

a) Principal and Agent arrangement

With the adoption of GRAP 109, acquiring by principle and agents, an note has been included as required by GRAP 109 to indicate the financial effect of principal and agent arrangements.

b) Cash flow statement - reclassifications and corrections

Prior year comparatives were restated, due to the effect of the corrections detailed above.

c) Financial instruments - Maturity Analysis

The financial instruments note, specifically the fair value of assets (note 55.1), liquidity risk (note 55.7) and credit risk management (note 55.8) was restated due to the correction of errors and change in accounting policies as previously indicated.

d) Awards to close family members in service of the state

Included in note 53 new information relating to last year's transactions were disclosed and corrected retrospectively.

e) Contingent liabilities

The contingent liabilities in regards to the provision for TASK backpay was updated due to the estimate of certain employees not yet being reliably measured, as the outcomes of TASK had not been finalised by year-end.

	Previously Reported	Restated Amount
TASK backpay	-	2,759,059
	<u>-</u>	<u>2,759,059</u>

ix) Detail notes affected by the change in estimates

a) Change in estimate: Provision for rehabilitation of landfill

During the year the municipality revised its provision for the rehabilitation provision of landfill sites to include post-closure monitoring and inspection costs as is required by the licence conditions and as clarified in the "Accounting for Landfill Sites" guidelines issued by the Accounting Standards Board.

The net effect of the change in estimate in the current year was an decrease in the provision to the amount of R48,9 million. The change will lead to a reduction of operating costs in future periods of the same amount as the post-closure monitoring and inspection costs will be funded from the provision.

b) Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

A review of the useful lives and residual values of items of Property, Plant and Equipment has been performed. The change in the estimated useful lives and residual values of various assets of the municipality has resulted in a decrease in depreciation of R38,858,609 (2019: R3,196,254).

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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50. Non-adjusting events after the reporting date

Nature of event

None have been identified.

51. Unauthorised, irregular, fruitless and wasteful expenditure

51.1 Unauthorised expenditure

Application of Sec (a) of the definition of Unauthorised expenditure in terms of the MFMA - Total Operating Budget

Opening balance as previously reported	-	-
Add: Unauthorised expenditure – current	-	-
Add: Unauthorised expenditure – prior period	-	-
Less: Amounts written-off – current	-	-
Less: Amounts written-off – prior period	-	-
Closing balance	-	-

Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Total Operating Budget

Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - Department)

Opening balance as previously reported	13,268,809	-
Correction of prior period error	-	13,268,809
Opening balance as restated	13,268,809	13,268,809
Add: Unauthorised expenditure – current	34,246,929	-
Add: Unauthorised expenditure – prior period	-	13,268,809
Less: Amounts written-off – current	(13,268,809)	-
Closing balance	34,246,929	26,537,618

2019/2020

Unauthorised expenditure per Vote (Department)	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
Office of the City Manager	4,552,112	3,954,927	-	-
Corporate Services	157,095,965	146,631,408	-	-
Community Services	478,491,433	421,882,112	-	-
Financial Services	130,797,902	165,044,831	(34,246,929)	-
Planning and Economic Development	54,225,506	50,498,427	-	-
Engineering Services	1,557,337,110	1,475,101,507	-	-
Department of Chief Audit Executive	7,889,045	7,720,121	-	-
Department of Risk & Compliance	2,908,400	1,769,812	-	-
Department of IDP & PMS	5,365,531	5,021,457	-	-
Department of Communication	5,575,540	3,911,309	-	-
	2,404,238,544	2,281,535,911	(34,246,929)	-

The unauthorised expenditure is due to the capitalisation of interest as a result of negotiations during the restructuring process. Refer to note 43.1 and 14 for more information.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

2018/2019

Unauthorised expenditure per Vote (Department)	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
Community Services	506,886,233	426,294,720	-	-
Corporate Services	102,280,714	101,458,432	-	-
Department of Chief Audit Executive	3,525,815	3,277,503	-	-
Department of Communication	1,829,009	1,369,046	-	-
Department of IDP & PMS	857,770	302,870	-	-
Department of Risk & Compliance	2,302,872	2,266,758	-	-
Engineering Services	1,620,967,401	1,611,963,284	-	-
Financial Services	74,959,171	62,627,716	-	-
Office of City Manager	(546,557)	(820,819)	-	-
Planning and Economic Development	58,478,752	55,958,777	-	-
	2,371,541,180	2,264,698,287	-	-

Application of Sec (a) of the definition of Unauthorised expenditure in terms of the MFMA - Total Capital Budget

Reconciliation of unauthorised expenditure - Per Sec (a) of the definition of Unauthorised expenditure (Total Capital Budget)

Opening balance as previously reported	8,749,147	-
Add: Unauthorised expenditure – current	-	8,749,147
Add: Unauthorised expenditure – prior period	-	-
Less: Amounts written-off – current	(8,749,147)	-
Closing balance	-	8,749,147

The over expenditure incurred during the year is attributable to the following categories:

Cash

Parys sub-station fire	-	8,749,147
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Application of Sec (b) of the definition of Unauthorised expenditure in terms of the MFMA - Capital Budget

Reconciliation of unauthorised expenditure - Per Sec (b) of the definition of Unauthorised expenditure (Vote - GFS)

Opening balance as previously reported	18,724,999	-
Add: Unauthorised expenditure – current	-	18,764,268
Less: Amounts written-off – current	(18,724,999)	-
Closing balance	-	18,764,268

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

2019/2020

Unauthorised expenditure per Vote (Departments)	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
Community Services	80,477,740	62,712,484	-	-
Corporate Services	9,246,981	6,234,938	-	-
Department of Communication	206,345	206,280	-	-
Department of Risk & Compliance	30,000	30,000	-	-
Engineering Services	215,877,592	198,043,722	-	-
Financial Services	1,765,561	1,765,560	-	-
Office of City Manager	25,001	825	-	-
Planning and Economic Development	764,971	764,035	-	-
	308,394,191	269,757,844	-	-

2018/2019

Unauthorised expenditure per Vote (Departments)	Budget	Actual expenditure	Unauthorised expenditure	Amount written off by council
Community Services	86,538,845	76,581,263	-	-
Corporate Services	7,896,509	7,896,498	-	-
Department of Chief Audit Exe	59,506	59,506	-	-
Department of Communication	24,773	24,773	-	-
Engineering Services	467,041,401	485,766,400	(18,724,999)	18,724,999
Financial Services	1,275,318	1,275,292	-	-
Planning and Economic Development	929,809	929,799	-	-
	563,766,161	572,533,531	(18,724,999)	18,724,999

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)		
51.2 Irregular expenditure		
Opening balance as previously reported	1,452,345	39,619,202
Add: Irregular expenditure - current	3,684,354	9,687,909
Add: Irregular expenditure – prior period	-	-
Less: Amounts approved by Council *	(3,332,119)	(47,854,766)
Closing balance	1,804,580	1,452,345

* Council certified an amount of R46,299,919 (award amount) for CES 07/2015 and CES08/2018 as irrecoverable and to be written off.

Incident	Disciplinary steps/criminal proceedings		
Service Provider in Service of the State	Transaction identified during the year, investigated and report submitted to Council. Amounts written off as recommended.	-	6,000
Expansion of contract CES 07/2015 (Upgrade and extension of the Wellington Waste Water Treatment Works to 16ML / day : Mechanical and Electrical Installation)	Investigated and report submitted to Council. Amounts written off as recommended.	422,615	2,074,945
Expansion of contract CES 08/2015 (Upgrade and extension of the Wellington Waste Water Treatment Works to 16ML / day : Civil Works)	Investigated and report submitted to Council. Amounts written off as recommended.	734,883	5,683,117
Requirements for services were not dealt with as a single transaction. This resulted in non-compliance with Regulation 12(3) of the Municipal Supply Chain Management Regulations, 2005.	2019: Investigated and report submitted to Council. Amounts written off as recommended.	-	477,886
Revised interpretation of the application of Regulation 32 of the Municipal Supply Chain Management Regulations as included in MFMA Circular No. 96 dated 24 July 2019.	Investigated and report submitted to Council. Amounts written off as recommended.	1,367,618	1,445,961
Expansion of contract COM P3/2017 without prior approval by the delegated authority.	The incident is subject to further investigation	1,118,585	-
Non-compliance to procurement process for the hiring of a digger loader and tipper truck for works at Saron and Paarl Waste Water Treatment.	Investigated and report submitted to Council. Expenditure was written off by Council on 25 August 2020.	40,653	-
		3,684,354	9,687,909

All above mentioned amounts exclude VAT.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand		2020	2019
51. Unauthorised, irregular, fruitless and wasteful expenditure (continued)			
51.3 Fruitless and wasteful expenditure			
Opening balance as previously reported		-	1,863
Add: Fruitless & wasteful expenditure - current		-	-
Add: Fruitless & wasteful expenditure – prior period		282,838	-
Less: Amounts approved by Council		-	(1,863)
Closing balance		282,838	-
Incident	Disciplinary steps/criminal proceedings		
A double payment occurred on contract COM P2/2016 for the construction of a new club house including cloak rooms at Hermon Sports Grounds	All avenues to be pursued to collect the monies from the service provider.	282,838	-
Payment of interest to SARS	Additional tax was levied on the municipality as a result of an input vat claim on an invoice that was disallowed by SARS due to non-compliance to the VAT Act.	-	1,863
		282,838	1,863

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019		
52. Additional disclosures in terms of Municipal Finance Management Act				
	SALGA contributions	Audit fees	PAYE	UIF
As at 30 June 2020				
Opening balance	(5,180,877)	-	-	-
Subscription/fees	6,602,525	7,981,582	86,590,288	6,679,847
Amount paid – current year	-	(7,981,582)	(79,387,202)	(6,141,368)
Balance (prepaid) / unpaid **	1,421,648	-	7,203,086	538,479
			Pension	Medical aid
As at 30 June 2020				
Subscription/fees			104,788,535	41,818,207
Amount paid – current year			(104,788,535)	(41,818,207)
Balance (prepaid) / unpaid **			-	-
	SALGA contributions	Audit fees	PAYE	UIF
As at 30 June 2019				
Opening balance	(4,377,820)	-	-	-
Subscription/fees	6,007,874	8,446,736	83,143,228	6,787,059
Amount paid – current year	(6,810,931)	(8,446,736)	(83,143,228)	(6,787,059)
Balance (prepaid) / unpaid **	(5,180,877)	-	-	-
			Pension	Medical aid
As at 30 June 2019				
Subscription/fees			96,479,568	38,210,684
Amount paid – current year			(96,479,568)	(38,210,684)
Balance (prepaid) / unpaid **			-	-

** These balances are either included in (debtors) or creditors respectively.

VAT output payables and VAT input receivables are shown in Note 18 . All VAT returns have been submitted by the due date throughout the year.

Non-Compliance with Chapter 11 of the Municipal Finance Management Act

Non Compliance to the following sections of chapters of the MFMA:

CHAPTER	SECTION	SUB-SECTION
8	74	1

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand				2020	2019
53. Additional disclosures in terms of the supply chain management regulations					
53.1. Deviation from, and ratification of minor breaches of, the procurement processes					
In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.					
SCM paragraph reference		Description of deviation			
36 (1)(a) i		Dispense with the official procurement processes in an emergency		2,484,534	303,181
36 (1)(a) ii		Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.		12,139,885	14,765,720
36 (1)(a) v		Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.		722,311	4,741,468
Total deviations				15,346,730	19,810,369
53.2.Awards to close family members of persons in service of the state - SCM Regulation 45					
Awards to close family members of persons in the service of Drakenstein Municipality					
Supplier name	Employee name	Relationship	Department		
Business Connexion	C van Der Bank	Spouse	Drakenstein Municipality: Planning & Development	5,078,650	8,061,338
D Uren Vibracrete	Z Naidoo	Child	Drakenstein Municipality: Finance	1,158,680	2,417,973
Wab Printmedia (Pty) Ltd	A Brink	Spouse	Drakenstein Municipality: Finance	54,789	93,916
Aurecon South Africa (Pty) Ltd	P W Pansegrouw	Spouse	Drakenstein Municipality: Engineering Services	29,067,318	24,638,003
Harold's Auto Repairs	B van Rooy	Child	Drakenstein Municipality: Engineering Services	491,617	811,592
JT Joubert T/A Mynhardt Joubert	I Engelmohr	Spouse	Drakenstein Municipality: Finance	-	18,872
EHH Building Construction	H Fredericks	Brother	Drakenstein Municipality	668,651	626,184
Franthe Projects	M Davids	Parent	Drakenstein Municipality	-	6,300
Siphakame Skills Development CC	N Vacu	Spouse	Drakenstein Municipality	37,500	-
				36,557,205	36,674,178

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand				2020	2019
53. Additional disclosures in terms of the supply chain management regulations (continued)					
Awards to close family members of persons in the service of other state departments and entities (not listed above)					
Supplier name	Employee name	Relationship	Department		
CSM Consulting Services (Pty) Ltd	A Van Collie	Child	Department of Environmental Affairs	1,573,885	2,984,478
LJ Projects and Events	C Jafta	Spouse	Department of Water Affairs	5,500	6,400
Mpumannazi Group CC	E R Bowers	Parent	Department of Health	-	-
VAT Guide Consulting CC	S Daniels	Spouse	South African Revenue Services	-	-
Mubesco Africa (PTY) Ltd	J Niehaus	Spouse	Northern Cape department of Health	998,914	1,028,543
NTC Cleaning and General Services (PTY) Ltd	L Mtirara	Spouse	Department Correctional Services	-	24,197
TC Event Management (Pty) Ltd	L Johnson	Brother	South African Police Services	1,239,592	168,725
Succido Enterprises	L Johnson	Spouse	Passenger Rail Agency of South Africa	42,214	152,996
Motheo Construction Group (Pty) Ltd	R Mantlhasi	Parent	Department of Home Affairs	12,251,448	26,522,450
Water Solutions South Africa (Pty) Ltd	G Luthili & T Zwane	Spouse	Gauteng Department of Social Development	-	24,643
Humafeld (Pty) Ltd	N Kobeli	Spouse	Ekurhuleni Metro Municipality	781,112	911,432
Conlog (Pty) Ltd	M Moodly	Spouse	South Africa Social Security Agency (SASSA)	-	1,869,143
Samvix Trading and Development (Pty) Ltd	J Fullard	Brother	Department of Health	4,137	-
	J Fullard	Brother	Stellenbosch Local Municipality	-	-
Zana Manzi Services (Pty) Ltd	T Zwane	Spouse	City of Cape Town	182,955	-
Servelec (Pty) Ltd	L de Lange	Spouse	Ekurhuleni Metro Municipality	1,161,891	-
Van Der Spuy (Wes-Kaap Inc Van Der Spuy en Vennote)	M Van Zyl	Spouse	South African Revenue Services	1,137,662	-
Webber Wentzel	Dr E Watson	Brother	Western Cape Education Department	391,479	-
	E Watson	Parent	Road Accident Fund	-	-
	JCL Smit	Parent	Department of Public Services and Administration	-	-
	N Ndebele	Sister	Beaufort West Municipality	-	-
	Dr D Signh	Parent	Gauteng Department of Education	-	-
	P Signh	Parent	Department of Basic Education (KZN)	-	-
Barends Industrial Solutions	Barends	Spouse	Department of Basic Education (KZN)	-	-
Masiqhame Trading ZZ CC	S Gxilishe	Parent	Western Cape Education Department	702,161	-
	B Gxilishe	Parent	Western Cape Education Department	81,658	78,896
Decco Supplies and Distributors	A Arendse	Parent	Department of Agriculture and Fisheries	-	-
WRP Consulting Engineers (Pty) Ltd	K Mamphita	Spouse	Western Cape Education Department	-	-
	Z Van Rooyen	Spouse	South African Broadcasting Corporation	377,839	756,370
			Department of Public Works	-	-

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand				2020	2019
53. Additional disclosures in terms of the supply chain management regulations (continued)					
Democratic Packaging CC	V Van Der Heerver	Spouse	Western Cape Education Department	136,620	-
J Walters T/A JC Travel	Walters	Spouse	Western Cape Education Department	27,300	140,800
ADK General Services (Pty) Ltd	D Khonje	Spouse	South African Police Services	34,560	-
Multimode Trading (Pty) Ltd	H Esterhuizen	Spouse	South African Police Services	14,384	-
Water and Sanitation Services South Africa (Pty) Ltd	T Zwane	Spouse	Ekurhuleni Metro Municipality	14,145	-
Piston Power Chemicals	N Anidhee	Spouse	KNZ Department of Education	152,281	128,558
JPCE (Pty) Ltd	J Minnie	Spouse	City of Cape Town	1,900,009	748,856
Massamatic (Pty) Ltd	M Barnard	Inlaw	Department of Health	78,643	12,869
Neil Lyners and Associates CC t/a Lyners	H Lyners	Brother	Western Cape Provincial Government	7,675,393	3,652,625
Red Ant Security Relocation and Eviction Services	N Lesoela	Spouse	Mogale City Local Municipality	174,225	-
Rhode Bros Steel Projects CC	D Rhode	Child	South African Police Services	192,024	7,475
Aurecon South African (Pty) Ltd	WZ Erasmus	Spouse	Cape Nature	29,067,318	24,638,003
Gibb (Pty) Ltd	A Moon	Spouse	City of Cape Town	-	93,320
	S Cilliers	Spouse	Western Cape Department of Education	-	-
	N Mkhize	Spouse	Department of Water Affairs	-	-
	I Brink	Parent	Free State Department of Education	-	-
	N Mzayia	Spouse	Department of Correctional Services	-	-
	J Gooch	Spouse	Department of Transport	-	-
	U Lekonyana	Spouse	National Treasury	-	-
	R Beharie	Spouse	ESKOM	-	-
	K Naidoo	Spouse	Department of Education	-	-
EW Vermaak	JMC Vermaak	Spouse	Department of Health	-	26,320
				60,399,349	63,977,099

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
54. Capital commitments		
Commitments in respect of capital expenditure:		
Approved and contracted for		
Infrastructure *	175,702,704	121,903,536
Other *	3,505,845	10,360,577
Intangibles *	3,240,660	-
Total	182,449,209	132,264,113

* All capital commitments exclude VAT.

55. Financial instruments

55.1 Fair value of financial instruments

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the unaudited annual financial statements approximate their fair values, except for the listed Government stock. In accordance with GRAP 104 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of financial position, are as follow:

		2020		2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Fair value					
Listed investments	7	82,298	82,298	124,967	124,967
Amortised cost					
Non-current receivables from exchange transactions	8	328,805	328,805	834,851	834,851
Trade and other receivables from exchange transactions	10	317,499,564	317,499,564	270,886,979	270,886,979
Current portion of non-current receivables	8	104,778	104,778	150,118	150,118
Cash and cash equivalents	12	77,549,461	77,549,461	65,853,591	65,853,591
		395,482,608	395,482,608	337,725,539	337,725,539
Total financial assets		395,564,906	395,564,906	337,850,506	337,850,506
Financial liabilities					
Amortised cost					
Non-current					
Borrowings	14	1,636,956,881	1,636,956,881	1,446,315,653	1,446,315,653
Lease liabilities	15	1,440,194	1,440,194	2,570,530	2,570,530
		1,638,397,075	1,638,397,075	1,448,886,183	1,448,886,183
Current					
Consumer deposits	19	52,606,653	52,606,653	57,004,529	57,004,529
Trade and other payables from exchange transactions	20	297,246,729	297,246,729	264,853,942	264,853,942
Current portion of borrowings	14	19,681,848	19,681,848	184,388,046	184,388,046
Current portion of lease liabilities	15	1,717,999	1,717,999	2,657,091	2,657,091
		371,253,229	371,253,229	508,903,608	508,903,608
Total financial liabilities		2,009,650,304	2,009,650,304	1,957,789,791	1,957,789,791
Total financial instruments		(1,614,085,398)	(1,614,085,398)	(1,619,939,285)	(1,619,939,285)

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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55. Financial instruments (continued)

The Fair Values of Financial Assets and Financial Liabilities are determined as follow:

The Fair Value of Long term liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The fair value of Other Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

The unaudited annual financial statements include holdings in Listed Government Stock which are measured at Fair Value (Note 7). Fair Value is estimated with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments.

The levels have been defined as follow:

Level 1

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2020

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value:				
Listed investments	82,298	-	-	82,298

30 June 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments at fair value:				
Listed investments	124,968	-	-	124,968

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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55. Financial instruments (continued)

55.2 Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance.

The capital structure of the municipality consists of debt, which includes the Long-term Borrowings disclosed in Note 14, Cash and Cash Equivalents disclosed in Note 12; and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 23 to 24 and the Statement of changes in net assets.

55.3 Financial risk management objectives

Due to largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IFRS mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit and risk management, responsible for monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

55.4 Significant accounting policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Unaudited Annual financial statements.

55.5 Market risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 55.6 below). No formal policy exists to hedge volatilities in the interest rate market.

55.6 Interest rate risk

Credit risk management is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk on financial assets consist mainly of fixed deposit investments and bank and cash balances.

The municipality is not exposed to a high level of interest rate risk on its financial liabilities. All of the municipality's interest bearing external loan liabilities, as detailed in Appendix 'A', are fixed interest rate loans. Similarly with financial assets, the municipality invests its surplus funds on call deposit interest rate deposits with banks for fixed terms not exceeding one year.

The municipality's maximum exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

55.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by effectively managing its working capital, capital expenditure, external borrowings and cash flows. Standby credit facilities are available with the municipality's main banker to cater for any unexpected temporary shortfall in operating funds.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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Figures in Rand	2020	2019
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55. Financial instruments (continued)

30 June 2020

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Annuity loans	201,433,182	953,981,047	2,271,844,632	3,427,258,861
Finance	1,951,234	1,509,005	-	3,460,239
Payables from exchange transaction	297,246,729	-	-	297,246,729
	500,631,145	955,490,052	2,271,844,632	3,727,965,829

30 June 2019

	Within 1 year	2 to 5 years	5 years +	Total
Maturity analysis				
Annuity loans	346,965,300	1,497,340,151	556,536,834	2,400,842,285
Finance	3,027,669	2,807,932	-	5,835,601
Payables from exchange transaction	264,853,942	-	-	264,853,942
	614,846,911	1,500,148,083	556,536,834	2,671,531,828

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain its current debt to equity ratio. This will be achieved through the annual increase in tariffs to maintain the accumulated surplus, as well as the increased use of unsecured bank loan facilities.

55.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality manages credit risk in its borrowing and investing activities by only dealing with well established financial institutions of high credit standing, and by spreading its exposure over a range of such institutions in accordance with its approved investment policies. Credit risk relating to consumer debtors is managed in accordance with the municipality's credit control and debt collection policy. The municipality's credit exposure is spread over a large number and wide variety of consumers and is not concentrated in any particular sector or geographical area. Adequate provision has been made for anticipated bad and doubtful debts. Additional information relating to the analysis of consumer debtors is given in the accounting policies and Note 11 to the unaudited annual financial statements.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The carrying amount of financial assets recorded in the unaudited annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follow:

Investments	7	82,298	124,967
Long-term receivables	8	433,583	984,969
Trade and other receivables from exchange transactions	10	317,499,564	270,886,979
Bank and cash balances	12	77,549,461	65,853,591
Maximum credit and interest risk exposure		395,564,906	337,850,506

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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55. Financial instruments (continued)

55.9 Other price risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

56. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

57. Related party disclosures

57.1 Nature of related party relationships

Related party	Nature of relationship
Compensation made to Key Management Personnel	Refer to note 38.1
Compensation made to Councillors	Refer to note 39

57.2 Related party transactions

Revenue

Consumer services rendered to Key Management Personnel	80,704	79,417
Consumer services rendered to Councillors	1,419,208	1,269,763
	<u>1,499,912</u>	<u>1,349,180</u>

57.3 Related party balances

Outstanding balances

Consumer accounts

Key Management Personnel	-	-
Councillors	-	77,258
	<u>-</u>	<u>77,258</u>

The consumer services are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Key Management Personnel and Councillors. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Not all persons in the service of the state is seen as related parties as defined in GRAP 20, as they do not necessarily control or have an interest that gives them significant influence over the municipality. For disclosure purposes in terms of Supply Chain Management Regulations 46, awards to close family members of persons in the service of the state are disclosed in note 52.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

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58. Retirement benefit information

The municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of financial performance of R 104,788,535 (2019: R 96,479,569) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

a) LA Retirement Fund (Previously Cape Joint Pension Fund)

The LA Retirement Fund operates both as a defined benefit and defined contribution scheme.

Defined benefit scheme

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2019 disclosed an actuarial valuation amounting to R1,655,893,000 (30 June 2018: R1,776,181,000), with a net accumulated surplus of R11,200,000 (2018: R63,423,000), with a funding level of 100.7% (30 June 2018: 103.7%)

Defined contribution scheme

The actuarial valuation report at 30 June 2019 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R1,960,090,000 (30 June 2018: R2,018,237,000), net investment reserve of R0 (30 June 2018: R0) and with a funding level of 100% (2018: 100%).

The actuary concluded that :

- The Pensioner account has a funding level of 100.7% with a surplus of R11.2 million and is in a sound financial condition as at the valuation date.
- The DC Section has a funding level of 100% and is in a sound Financial condition.
- Overall the fund is in a sound financial condition with a surplus of R11.2 million and the overall funding level of 100.3%.
- The nature of the assets is suitable for the Fund.
- The assets are appropriately matched relative to the term and nature of the liabilities.
- The Fund's investment strategy is suitable.
- The risk benefits are partially re-insured. I consider this to be appropriate for the size and nature of the fund.

The last statutory valuation performed as at 30 June 2019 revealed that the net assets of the fund amounted to R26,215,000,000 (30 June 2018: R24,108,000,000). The members share account and processing reserve account had assets amounting to R25,389,735,000 (2018: R23,318,184,000), and the pensions account had assets amounting to R647,516,000 (2018: R651,455,000) with funding levels of 100.3% and 124.9% (30 June 2018: 100.4% and 128.0%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2019 & 2018. The contribution rate paid by the members (7.50%) and the municipalities (7.50%/19.50%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

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58. Retirement benefit information (continued)

b) Consolidated Retirement Fund for local government (Previously Cape Joint Retirement Fund)

The last statutory valuation performed as at 30 June 2019 revealed that the net assets of the fund amounted to R26,215,000,000 (30 June 2018: R24,108,000,000). The members share account and processing reserve account had assets amounting to R25,389,735,000 (2018: R23,318,184,000), and the pensions account had assets amounting to R647,516,000 (2018: R651,455,000) with funding levels of 100.3% and 124.9% (30 June 2018: 100.4% and 128.0%) for the Pensions Account and the Share Account respectively. The Preservation Pension Account showed a surplus of R0 and was 100% funded for both 2019 & 2018. The contribution rate paid by the members (7.50%) and the municipalities (7.50%/19.50%) is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

c) SALA Pension Fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2018 revealed that the assets of the fund amounted to R14,298,600.00 (30 June 2015: R13,231,200.00), with funding levels of 96.0% (30 June 2015: 100%). Recommended that employers continue to contribute at the current rate of 19.18% of pensioners salaries.

It is the actuary's opinion that :

- They are satisfied with the investment strategy of the Fund;
- The nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the Rules of the Fund;
- The matching of assets with the liabilities of the Fund is adequate; and
- The insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

d) Municipal Councillors' Pension Fund

The Municipal Councilors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 revealed that the assets of the fund amounted to R1,798,030,000 (30 June 2017: R1,480,549,000), with funding levels of 103.26% (30 June 2017: 101.31%). The contribution rate paid by the members (13.75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

e) National Fund For Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.

Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2019 revealed that the assets of the fund amounted to R15,393,671,000 (30 June 2015 : R10,050,029,000), with funding levels of 100.46% (30 June 2015: 100.42%). The actuary certified that the assets of the fund are sufficient to cover 100.46% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Drakenstein Municipality

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58. Retirement benefit information (continued)

f) The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2014: R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%. The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

Drakenstein Municipality

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59. Contingent liabilities

Paarl Print (Pty) Ltd - Destruction of property - Claim for damages

A fire destroyed the Paarl Print property erf 25867, Paarl during September 2009. As a result of this incident, the applicant during March 2012 lodged a claim against the Municipality to the amount of R448,819,503.79 (2019: R448,819,503.79). Claim was referred to Council's insurers and notice of intention to defend was lodged by the insurer's legal representatives. A court date has not yet been set. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled. No further action since 2012.

D Theys, OL Veroni & H Carolissen - Damages

The plaintiffs are claiming from the Municipality for damages after hitting a sandbag and then collided with a fence. The claims of D Theys, OL Veroni and HL Carolissen were consolidated into one case and has since been settled. The claim amounted to R416,000 in 2018/19.

M & T De Villiers - Damages

Claim for damages due to a fire. The matter was referred to our internal insurer department on 14/12/2015. Attorney firm Visagie Vos was appointed to act on behalf of Drakenstein Municipality's Insurer. The estimated financial exposure belonged to the insurer and not the Municipality per se. The matter has been finalised.

M Siebert

The plaintiff, M Siebert is claiming from the Municipality for damages following a collision. The matter was referred to the internal insurance department and has been settled. The claim amounted to R9,141 in 2018/19.

W Swanepoel

The plaintiff, W Swanepoel is claiming from the Municipality for damages after driving through a pothole. The claim of R23,147 (2019: R23,147) was referred to the Municipality's insurers, but was rejected. No further action from the plaintiff since May 2018.

S Hendricks obo R Hendricks

The plaintiff claiming on behalf of her son for general damages; for pain and suffering, loss of amenities of life, disability, and disfigurement and shock. The Municipality is the second respondent, and as such the insurer and appointed attorney has advised that the Municipality has a good defence as it was wrongly joined - the contingent liability is thus reduced to R0 (2019: R2,736,000).

Dirk du Toit

The plaintiff claim is for general damages occurred by a storm water drain. Matter has been finalised. The claim amounted to R32,424 in 2018/19.

Francois Levens

The plaintiff claim is for general damages; after the plaintiff was wrongfully and unlawfully assaulted and robbed. Matter referred to internal insurance department and the Municipality filed a plea, but awaits action from the plaintiff. The claim was estimated to be R400,000 (2019: R500,000).

Wilma Quinn

The plaintiff claim is for general damages occurred by a burst water pipe on her property. The claim amounting to R200,000 (2019: R200,000), was referred to internal insurance department. A discovery affidavit was filled in January 2020, after the previous application was dismissed.

Morne van Rooi

The plaintiff claim is for general damages; after collision by the Plaintiff and a vehicle of the Municipality. Matter has been settled. The claim amounted to R17,799 in 2018/19.

Karin Smidt

The plaintiff claim is for general damages; after a fall by the Plaintiff on a pavement. Matter has been settled. The claim amounted to R151,690 in 2018/19.

M Manus

Risk adverse cost order has been issued against the Municipality after the defendant defaulted on their municipal bill, brought an order to have the services reconnected, which was then contested by the Municipality. Rule nisi application was made order of the Court and matter has been finalised. The claim amounted to R37,128 in 2018/19.

Drakenstein Municipality

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59. Contingent liabilities (continued)

Albertus Nel

The plaintiff claim of R53,771 is for general damages after collision by the Plaintiff with a cow in Jan van Riebeeckdrive. Claim was received during 2019/20 and the matter has been referred to the Municipality's Insurers.

Naryna van der Merwe

The plaintiff claim of R31,363 is for general damages; after collision by the Plaintiff with a municipal vehicle. Claim was received during 2019/20 and the matter has been referred to the Municipality's Insurers.

NERSA

NERSA had for the 2019/20 year, approved a lower energy charge per kWh, than was applied for by the municipality. The approval letter for the 2019/20 was only received after the electricity tariffs for 2019/20 was already implemented on 1 July 2019. The municipality has been engaging with NERSA for the whole of 2019/20 on this dispute and consequently the municipality has taken NERSA to court. The matter will be heard on 23 November 2020. The impact of the lower tariffs, should the municipality not succeed in its application, is an estimated amount of R20,703,168.

D Hattingh

The municipality has a current arbitration process with the former Director of Engineering Services, who claims an alleged constructive dismissal. The maximum exposure for the municipality is the payment of the former director's contract package for 12 months, amounting to R1,596,747 (2019: R0).

Arbitration cases - unfair dismissals

The municipality has a current arbitration process with Messers, A Absolon, R Williams, D van Rooy, M Jacobs and L Marquard, who all claim alleged unfair dismissal processes. The maximum exposure for the municipality is the payment of the 12 month's salaries since dismissal date, amounting to R902,910 (2019: R0).

TASK backpay

The TASK pay scales were introduced from 1 July 2014. At date of implementation, not all job descriptions were graded in terms of TASK and consequently a process was started where these posts were then graded in terms of TASK and the Municipality became liable to remunerate employees retrospectively on their TASK level. At year-end a contingent liability exists for TASK backpay for those employees in service, whose job descriptions have not been TASK-graded, amounting to R6,131,558 (2019: R2,759,059).

Exemption for salary increases

The Municipality applied for exemption to the SALGBC not to implement salary increases (cost-of-living and notch increases) on all remuneration and benefits of municipal employees for the 2020/21 financial year. The case will be heard by a commissioner appointed by the SALGBC during November 2020, after which the commissioner will either grant or not grant approval for the exemption application. A number of employee benefit liabilities are estimated taking into account the following year's salary increases, and as such a contingent liability exists should the commissioner not grant the exemption application approval. The estimated increase in employee benefit liabilities is estimated as follow:

- Provision for bonuses	1,432,719	-
- Post employment Medical Benefit	2,347,000	-
- Long Service Awards	4,648,000	-
	8,427,719	-

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60. Contingent assets

Neil Lyners & Associates CC

Claim of R300,000 (2019: R300,000) for damages during installation of Civil Infrastructure services under contract CES9/2011 Siyahlala. Formal letter of demand was served on the Respondent dated 22/07/2015. Summons was issued. Awaiting a date to appear before a supervising Judge to prepare for trial. Matter still in progress.

Insurance Claim - Parys Substation fire

A dispute with the insured underwriter with regards to the amount of the insurance claim to be paid out by the insurance company, and the uncertainty on the claim amount to be paid out, no provision could be made in the 2018/19 Capital Adjustment Budget in February 2019. The claim is estimated at R24,394,037 (2019: R24,394,037).

Veolia Water Solutions and Technologies South Africa (Pty) Ltd

Claim for penalties to be imposed due to the delay in the completion of the Welvanpas Reservoir. The claim was settled during the year (2019: R1,900,000), per the amicable agreement.

61. Biological assets

61.1 Biological assets in Drakenstein Municipal area

The Municipality has various species of Proteacea growing on the Paarlberg (Erf 1 Paarl), a National heritage site. Due to the fact that the plants are growing in a nature reserve it is protected by the Nature Conservation Act 19 of 1974 a special permit must be obtained to harvest any seeds produced by these plants. These plant grow wild and is exposed to natural conditions such as fire, furthermore there is no input cost by the municipality in order to enhance the growth of these plants or to control it as what would normally be seen in an agricultural activity. These plants produce seedlings on a yearly basis that can result in plants but the municipality cannot determine the quantity of plants as these plants are all in different stages of growth. For the reasons above these plants are not recognised and accounted for in terms of GRAP 27, Agriculture. An assessment will be made once GRAP 110, Living and Non-living Resources, become effective as to the applicability thereof on these assets.

62. Reporting against the framework for schedule 4 of DORA allocations

Submit project registrations and detail project implementation plans before the prescribed due dates. Department of Provincial and Local Government is monitoring the overall programme implementation.

63. Registered IUDG programmes

2019/2020	Received	Expenditure	Total
Saron: bulk water pipe replacement (IUDG)	8,568,702	(8,568,702)	-
Saron: bulk storage & water treatment (IUDG)	2,075,687	(2,075,687)	-
Replace / upgrade water reticulation system (IUDG)	12,780,421	(12,780,421)	-
Replace / upgrade sewerage systems Paarl (IUDG)	5,684,236	(5,684,236)	-
Reseal of streets /road network (Paarl/West) (IUDG)	11,155,078	(11,155,078)	-
Upgrading of areas around Paarl east ren(IUDG)	5,368,663	(5,368,663)	-
Boreholes infrastructure	3,255,340	(3,255,340)	-
Software licences and maintenance	161,873	(161,873)	-
	49,050,000	(49,050,000)	-
2018/2019	Received	Expenditure	Total
Upgrading of Mbekweni B and C Sports Fields	6,831,538	(6,831,538)	-
Replacement of Strawberry King bulk water	16,277,356	(16,277,356)	-
Replacement of Saron bulk water	6,877,193	(6,877,193)	-
	29,986,087	(29,986,087)	-

Drakenstein Municipality

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64. Going concern

In terms of the accounting standard GRAP 1, paragraphs 27 to 30, the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality has a constitutional mandate to levy property rates and service charges to enable the municipality to be considered as a going concern even though the municipality will be operational over the short to medium term in a state where liquidity will be under pressure.

To improve liquidity, the municipality has introduced a revenue management, expenditure management and cost containment programme including an exercise to restructure existing long-term external loans. For the 2020/21 budget the operating and capital expenditure budget was reduced considerably, even before the onset of the COVID-19 pandemic. The municipality has made substantial investments in revenue generating infrastructure over the past five years that created capacity for development and growth. The municipality do have a stable and growing revenue base, although slower than projected five years ago.

The municipality has not defaulted on payment of creditors. By sustaining a revenue collection rate above 95.51%, the municipality do have the ability to operate as a going concern and to continue rendering services to its community.

Drakenstein Municipality

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Figures in Rand	2020	2019
65. Principal and agent arrangements		
Agent arrangements: Traffic services		
Agent for the Western Cape Department of Transport and Public Works		
The municipality acts as agent for the Western Cape Department of Transport and Public Works, where it provides motor vehicle registration and licenses services on behalf of the Western Cape Department of Transport and Public Works.		
Reconciliation of amounts payable to the WC Department of Transport and Public Works		
Balance at beginning of year	1,935,689	(499,952)
Revenue received on behalf of principal (incl. commission)	86,462,553	91,946,483
Revenue recognised by municipality as agency fee *	(16,177,657)	(15,568,355)
Revenue paid over to the principal	(71,790,804)	(73,942,487)
* VAT included	<u>429,781</u>	<u>1,935,689</u>
Agent for the National Department of Justice		
The municipality acts as agent for the National Department of Justice, where it collects Contempt of court fines imposed for non-appearance in court of traffic fine offenders. The municipality does not derive any revenue from this functions.		
Reconciliation of amounts payable to the Department of Justice		
Balance at beginning of year	430,300	415,700
Revenue received on behalf of principal	267,900	403,800
Revenue paid over to the principal	(344,700)	(389,200)
	<u>353,500</u>	<u>430,300</u>
Principal arrangements: Traffic services		
Issuing of traffic fines		
The municipality has a service provider TMT (2019: Syntell) who acts as agent for the municipality with the issuing of traffic fines. All payments are received directly by the municipality and the service provider invoices the municipality for commission payable.		
Amounts remitted, but not received at year-end	<u>-</u>	<u>-</u>
Commission received by the agent	<u>2,467,625</u>	<u>2,538,728</u>
Principal arrangements: Financial Services		
Agent for the Drakenstein Municipality		
The municipality has a service provider EasyPay (2019: Pay@) who acts as agent for the municipality with the 3rd party collection of debtor payments. All payments are paid directly to the municipality and the service provider invoices the municipality for commission payable.		
Amounts remitted, but not received at year-end	<u>748,678</u>	<u>622,904</u>
Commission received by the agent	<u>2,128,707</u>	<u>1,781,018</u>
Principal arrangements: Financial Services		

Drakenstein Municipality

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
65. Principal and agent arrangements (continued)		
Agent for the Drakenstein Municipality		
The municipality has a service provider ONTEC (2019: Utilities World) who acts as agent for the municipality with the sale of prepaid electricity and water. All payments are received directly by the municipality and the service provider invoices the municipality for commission payable. No penalties are payable if the contract with the agent is terminated.		
Amounts remitted, but not received at year-end	3,392,811	4,323,875
Commission received by the agent	7,815,846	8,176,619

Drakenstein Municipality

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Figures in Rand	2020	2019
66. Reconciliation of budget surplus/(deficit) with surplus/(deficit) with Statement of Financial Performance		
Net surplus/(deficit) per the statement of financial performance		
Basis differences		128,535,187
Revenue By Source		
Property rates		-
Property rates - penalties & collection charges (Surcharges and Taxes*)		(852,305)
Service charges - electricity revenue	(1,171,403,016)	
Service charges - water revenue	(163,949,277)	
Service charges - sanitation revenue	(116,383,958)	
Service charges - refuse revenue	(124,369,960)	
Service Charges *	1,576,106,211	
Rental of facilities and equipment (Rental of Fixed Assets*)	(15,991,035)	
Interest earned - external investments	6,153,049	
Finance income and Dividends*	(12,574,622)	
Licences and permits	(20,240,888)	
Fines	(82,126,343)	
Transfers recognised - operational / (Transfers and Subsidies*)	(176,006,115)	
Other revenue (Operational Revenue (Exchange)*)	137,573,798	
Operational Revenue (Non - Exchange)*	(2,368,493)	
Sale of Goods and Rendering of Services*	(12,754,384)	
Construction contract revenue	(2,339,190)	
Total		(181,526,528)
Expenditure By Type		
Employee related costs	(2,420,352)	
Remuneration of councillors (Councillor Related Cost *)	-	
Impairment losses on financial assets	(156,399,292)	
Depreciation & asset impairment (Depreciation and Amortisation *)	293,481	
Impairment Losses	(293,481)	
Finance charges (Interest paid *)	-	
Materials and Bulk purchases	834,566,845	
Bulk Purchases *	(778,674,807)	
Contracted services	(147,284,040)	
Transfers and grants (Transfers and Subsidies : Operational Exp*)	-	
Other expenditure (Operational Expenditure*)	322,799,896	
Inventory consumed*	(55,892,038)	
Operating Leases*	(16,995,091)	
Loss on disposal of PPE (Gains /(losses) on disposal of PPE, IA, IP & HA*)	(513,851)	
Total		(812,730)
Surplus/(Deficit)		
Transfers recognised - capital		180,713,797
Timing differences		-
Entity differences		-
Net surplus/deficit per statement of budget comparison		128,535,187

* - Statement of Financial Performance classifications

Drakenstein Municipality

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Budget basis differences mainly relate to Revenue from Housing Grants and the related Housing operating expenditure where Drakenstein Municipality is regarded as an agent in terms of GRAP amounting to R 429,953 and other differences, where items such as gains and losses are linked to expenditure budget items, as opposed to the actual nature per GRAP. The mSCOA tables and the format of the Budget Schedules as issued by National Treasury are not yet fully aligned to the Standards of GRAP and this is therefore the reason for the disparity in classifications between the 2019/20 Budget and GRAP Annual Financial Statements.

67. Budget Information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal Budget regulations as well as MFMA Budget circulars. In accordance with the Municipal Budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The reason for the variances between the approved and final budgets are mainly due to reallocations made within the approved budget parameters allowed for by the Virement Policy of Drakenstein Municipality as approved by Council.

Explanation of variances greater than 10%: Final Budget and Actual amounts

Statement of financial position

Current Assets

- Outstanding debtors much more than anticipated.
- Decrease in cash and cash equivalents using trend of the previous year. Negative impact of COVID-19 pandemic.

Statement of financial performance

Revenue

- *Transfers recognised - operational*
Underspending on the allocation from Department of Human Settlements due to various reasons.

Expenditure

- *Finance charges*
Loans were restructured during the financial year. A portion of the interest on loans from certain banks were capitalised and resulted in overspending due to the correct accounting treatment.
- *Transfers and grants*
Underspending due to the impact of the lockdown regulations on events.
- *Other Expenses*
Reduction in the provision for Rehabilitation of Landfill Sites.
Underspending on the allocation from Department of Human Settlements due to various reasons.
Implementation of various cost containment and expenditure management strategies.

Drakenstein Municipality

Appendix A

Schedule of external loans as at 30 June 2020

External Loans	Interest Rate	Loan Number	Redeemable Date	Balance at 30 June 2019	Re-structured during the period	Capitalised during the period	Redeemed/ written off during the period	Balance at 30 June 2020
	%			Rand	Rand	Rand	Rand	Rand
Annuity and other loans								
ABSA BANK	9.400 %	38-723-1263	2020	1,239,691	-	-	1,239,691	-
ABSA BANK	9.150 %	38-723-1262	2019	3,130,511	-	-	3,130,511	-
DBSA	10.730 %	61007616	2037	-	962,981,450	-	-	962,981,450
DBSA	10.026 %	12007834	2024	55,926,728	(58,784,103)	2,857,375	-	-
DBSA	10.820 %	12007999	2025	220,438,799	(232,593,251)	12,154,452	-	-
DBSA	9.970 %	12008099	2028	112,527,983	(118,245,083)	5,717,100	-	-
DBSA	9.791 %	12008099	2028	140,576,787	(147,590,706)	7,013,919	-	-
DBSA	10.700 %	12008099	2028	94,881,910	(100,055,444)	5,173,534	-	-
DBSA	10.672 %	12008099	2028	31,997,107	(33,737,217)	1,740,110	-	-
DBSA	12.278 %	12008149	2029	100,000,000	(105,237,556)	5,237,556	-	-
DBSA	10.131 %	12008149	2029	100,000,000	(105,162,647)	5,162,647	-	-
DBSA	9.872 %	12008149	2029	58,626,160	(61,575,445)	2,949,285	-	-
NEDBANK	10.640 %	7831030646-0001	2021	21,297,484	-	-	10,094,508	11,202,976
NEDBANK	9.140 %	7831030646-0004	2022	49,295,979	(51,159,961)	1,863,982	-	-
NEDBANK	9.930 %	7831030646-0010	2025	140,511,526	(147,541,778)	7,030,252	-	-
NEDBANK	11.480 %	7831030646-0011	2029	-	198,701,741	-	-	198,701,741
STANDARD BANK	11.440 %	0053-7722	2028	-	433,066,762	-	-	433,066,762
STANDARD BANK	10.260 %	023-157-909	2021	2,933,469	-	-	1,392,294	1,541,175
STANDARD BANK	10.080 %	07-218-4426	2023	30,149,419	(30,149,419)	-	-	-
STANDARD BANK	10.400 %	07-215-4411	2020	7,365,739	-	-	7,365,739	-
STANDARD BANK	9.360 %	07-221-4600	2020	1,517,101	-	-	1,517,101	-
STANDARD BANK	9.680 %	07-221-4325	2022	2,995,056	-	-	904,115	2,090,941
STANDARD BANK	10.120 %	072-221-4287	2027	433,066,762	(433,066,762)	-	-	-
STANDARD BANK	9.630 %	410-682-101	2021	3,682,377	-	-	1,753,342	1,929,035
STANDARD BANK	9.870 %	410-683-566	2023	11,617,468	-	-	2,492,239	9,125,229
STANDARD BANK	9.840 %	009 733 922	2024	6,935,000	-	-	1,084,999	5,850,001
STANDARD BANK	10.970 %	0053-8368	2028	-	30,149,419	-	-	30,149,419
				1,630,713,056	-	56,900,212	30,974,539	1,656,638,729

Drakenstein Municipality

Appendix B1

Reconciliation of Budgeted Financial Performance (Revenue and Expenditure by Standard Classification)

Description	2020/2019										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Adjustments (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	%
Revenue - Standard											
Governance and administration	369,987,945	27,890,233	397,878,178	-		397,878,178	424,027,373		26,149,195	107 %	115 %
Executive and council	12,544,933	(12,056,815)	488,118	-		488,118	1,587,218		1,099,100	325 %	13 %
Finance and administration	357,443,012	39,947,048	397,390,060	-		397,390,060	422,440,155		25,050,095	106 %	118 %
Community and public safety	256,237,971	7,764,877	264,002,848	-		264,002,848	175,113,744		(88,889,104)	66 %	68 %
Community and social services	3,756,058	4,372,155	8,128,213	-		8,128,213	7,998,812		(129,401)	98 %	213 %
Sport and recreation	4,185,455	1,829,295	6,014,750	-		6,014,750	5,037,192		(977,558)	84 %	120 %
Public safety	107,375,669	(10,787,552)	96,588,117	-		96,588,117	102,013,112		5,424,995	106 %	95 %
Housing	140,920,789	12,350,979	153,271,768	-		153,271,768	60,064,628		(93,207,140)	39 %	43 %
Economic and environmental services	20,082,562	16,501,453	36,584,015	-		36,584,015	39,489,627		2,905,612	108 %	197 %
Planning and development	5,317,028	31,000	5,348,028	-		5,348,028	9,865,886		4,517,858	184 %	186 %
Road transport	14,765,534	16,470,453	31,235,987	-		31,235,987	29,623,741		(1,612,246)	95 %	201 %
Trading services	1,806,376,258	(26,403,727)	1,779,972,531	-		1,779,972,531	1,771,440,354		(8,532,177)	100 %	98 %
Energy sources	1,245,439,554	7,877,242	1,253,316,796	-		1,253,316,796	1,239,207,200		(14,109,596)	99 %	99 %
Water management	207,746,889	(37,064,944)	170,681,945	-		170,681,945	179,701,538		9,019,593	105 %	87 %
Waste water management	183,252,034	2,381,650	185,633,684	-		185,633,684	183,970,273		(1,663,411)	99 %	100 %
Waste management	169,937,781	402,325	170,340,106	-		170,340,106	168,561,343		(1,778,763)	99 %	99 %
Total Revenue - Standard	2,452,684,736	25,752,836	2,478,437,572	-		2,478,437,572	2,410,071,098		(68,366,474)	97 %	98 %
Expenditure - Standard											
Governance and administration	484,651,971	13,803,266	498,455,237	-	(1,740,622)	496,714,615	521,213,891	-	24,499,276	105 %	108 %
Executive and council	94,523,758	2,003,598	96,527,356	-	780,705	97,308,061	98,980,453	-	1,672,392	102 %	105 %
Finance and administration	382,240,152	11,798,684	394,038,836	-	(2,521,327)	391,517,509	414,513,317	-	22,995,808	106 %	108 %
Internal audit	7,888,061	984	7,889,045	-	-	7,889,045	7,720,121	-	(168,924)	98 %	98 %
Community and public safety	414,944,663	27,313,068	442,257,731	-	464,059	442,721,790	365,475,993	-	(77,245,797)	83 %	88 %
Community and social services	44,011,980	4,669,230	48,681,210	-	(1,503,717)	47,177,493	35,674,259	-	(11,503,234)	76 %	81 %
Sport and recreation	81,062,921	(90,335)	80,972,586	-	(2,094,453)	78,878,133	62,965,408	-	(15,912,725)	80 %	78 %
Public safety	167,678,981	(11,462,643)	156,216,338	-	5,804,273	162,020,611	177,550,616	-	15,530,005	110 %	106 %
Housing	122,190,781	34,196,816	156,387,597	-	(1,742,044)	154,645,553	89,285,710	-	(65,359,843)	58 %	73 %
Economic and environmental services	191,694,194	(17,674,698)	174,019,496	-	111,146	174,130,642	167,501,964	-	(6,628,678)	96 %	87 %
Planning and development	54,472,308	(462,548)	54,009,760	-	217,412	54,227,172	49,752,923	-	(4,474,249)	92 %	91 %
Road transport	136,304,263	(17,212,150)	119,092,113	-	(106,266)	118,985,847	115,706,615	-	(3,279,232)	97 %	85 %
Environmental protection	917,623	-	917,623	-	-	917,623	2,042,426	-	1,124,803	223 %	223 %
Trading services	1,307,686,747	(18,829,250)	1,288,857,497	-	1,165,417	1,290,022,914	1,227,344,063	-	(62,678,851)	95 %	94 %
Energy sources	1,004,231,185	(22,342,937)	981,888,248	-	2,424,292	984,312,540	967,471,434	-	(16,841,106)	98 %	96 %
Water management	107,383,058	(1,120,501)	106,262,557	-	(780,000)	105,482,557	122,256,657	-	16,774,100	116 %	114 %
Waste water management	114,399,508	(3,250,335)	111,149,173	-	(211,025)	110,938,148	108,164,168	-	(2,773,980)	97 %	95 %
Waste management	81,672,996	7,884,523	89,557,519	-	(267,850)	89,289,669	29,451,804	-	(59,837,865)	33 %	36 %
Other	648,583	-	648,583	-	-	648,583	-	-	(648,583)	- %	- %
Other	648,583	-	648,583	-	-	648,583	-	-	(648,583)	- %	- %
Total Expenditure - Standard	2,399,626,158	4,612,386	2,404,238,544	-	-	2,404,238,544	2,281,535,911	-	(122,702,633)	95 %	95 %
Surplus/(Deficit) for the year	53,058,578	21,140,450	74,199,028	-	-	74,199,028	128,535,187	-	54,336,159	173 %	242 %

Drakenstein Municipality

Appendix B2

Reconciliation of Budgeted Financial Performance (Revenue and expenditure by Municipal Vote)

	2020/2019										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Adjusted Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Adjustments (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		
Revenue by Vote											
Office of the City Manager	-	-	-	-		-	-		-	- %	- %
Corporate Services	13,244,933	(11,657,246)	1,587,687	-		1,587,687	2,063,028		475,341	130 %	16 %
Community Services	273,424,156	7,687,958	281,112,114	-		281,112,114	192,446,156		(88,665,958)	68 %	70 %
Financial Services	321,124,617	7,402,300	328,526,917	-		328,526,917	368,364,946		39,838,029	112 %	115 %
Planning and Development	7,035,614	820,730	7,856,344	-		7,856,344	7,153,448		(702,896)	91 %	102 %
Engineering Services	1,837,855,416	21,259,094	1,859,114,510	-		1,859,114,510	1,839,930,521		(19,183,989)	99 %	100 %
Department of Chief Audit Executive	-	-	-	-		-	-		-	- %	- %
Department of Risk And Compliance	-	240,000	240,000	-		240,000	104,000		(136,000)	43 %	- %
Department of IDP And PMS	-	-	-	-		-	9,000		9,000	- %	- %
Department of Communication	-	-	-	-		-	-		-	- %	- %
Total Revenue by Vote	2,452,684,736	25,752,836	2,478,437,572	-		2,478,437,572	2,410,071,099		(68,366,473)	97 %	98 %
Expenditure by Vote to be appropriated											
Office of the City Manager	4,552,112	-	4,552,112	-	-	4,552,112	3,954,927	-	(597,185)	87 %	87 %
Corporate Services	154,226,255	2,794,710	157,020,965	-	75,000	157,095,965	146,631,408	-	(10,464,557)	93 %	95 %
Community Services	450,225,430	27,960,299	478,185,729	-	305,704	478,491,433	421,882,112	-	(56,609,321)	88 %	94 %
Financial Services	125,591,344	8,116,153	133,707,497	-	(2,909,595)	130,797,902	165,044,831	(34,246,929)	34,246,929	126 %	131 %
Planning and Development	56,890,371	(1,519,911)	55,370,460	-	(1,144,954)	54,225,506	50,498,427	-	(3,727,079)	93 %	89 %
Engineering Services	1,586,025,584	(32,362,319)	1,553,663,265	-	3,673,845	1,557,337,110	1,475,101,507	-	(82,235,603)	95 %	93 %
Department of Chief Audit Executive	7,888,061	984	7,889,045	-	-	7,889,045	7,720,121	-	(168,924)	98 %	98 %
Department of Risk And Compliance	2,666,019	242,381	2,908,400	-	-	2,908,400	1,769,812	-	(1,138,588)	61 %	66 %
Department of IDP And PMS	6,028,344	(662,813)	5,365,531	-	-	5,365,531	5,021,457	-	(344,074)	94 %	83 %
Department of Communication	5,532,638	42,902	5,575,540	-	-	5,575,540	3,911,309	-	(1,664,231)	70 %	71 %
Total Expenditure by Vote	2,399,626,158	4,612,386	2,404,238,544	-	-	2,404,238,544	2,281,535,911	(34,246,929)	(122,702,633)	95 %	95 %
Surplus/(Deficit) for the year	53,058,578	21,140,450	74,199,028	-		74,199,028	128,535,188		54,336,160	173 %	242 %

Drakenstein Municipality
Appendix B3
Reconciliation of Budgeted Capital Expenditure by Vote, Standard Classification and Funding

	2020/2019										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustments Budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	%
Capital expenditure - Vote											
Multi-year expenditure											
Office of the City Manager	-	-	-	-	-	-	-	-	-	- %	- %
Corporate Services	3,488,000	4,789,917	8,277,917	-	(522,109)	7,755,808	5,513,333	-	(2,242,475)	71 %	158 %
Community Services	17,681,650	15,504,101	33,185,751	-	(476,031)	32,709,720	22,842,186	-	(9,867,534)	70 %	129 %
Financial Services	12,000,000	(10,421,266)	1,578,734	-	(508,190)	1,070,544	912,081	-	(158,463)	85 %	8 %
Planning and Development	-	47,793	47,793	-	-	47,793	9,870	-	(37,923)	21 %	- %
Engineering Services	154,831,155	9,745,319	164,576,474	-	(1,007,109)	163,569,365	149,023,283	-	(14,546,082)	91 %	96 %
Department of Chief Audit Executive	-	-	-	-	-	-	-	-	-	- %	- %
Department of Risk And Compliance	-	-	-	-	-	-	-	-	-	- %	- %
Department of IDP And PMS	-	-	-	-	-	-	-	-	-	- %	- %
Department of Communication	-	203,345	203,345	-	-	203,345	196,672	-	(6,673)	97 %	- %
Capital multi-year expenditure sub-total	188,000,805	19,869,209	207,870,014	-	(2,513,439)	205,356,575	178,497,425	-	(26,859,150)	87 %	95 %
Single-year expenditure											
Office of the City Manager	-	25,001	25,001	-	-	25,001	825	-	(24,176)	3 %	- %
Corporate Services	8,560,000	(7,068,827)	1,491,173	-	-	1,491,173	721,605	-	(769,568)	48 %	8 %
Community Services	105,833,818	(59,179,290)	46,654,528	-	1,113,492	47,768,020	39,870,298	-	(7,897,722)	83 %	38 %
Financial Services	1,850,000	(345,874)	1,504,126	-	(809,109)	695,017	853,478	-	158,461	123 %	46 %
Planning and Development	1,615,000	(1,000,491)	614,509	-	102,669	717,178	754,165	-	36,987	105 %	47 %
Engineering Services	71,369,615	(21,166,775)	50,202,840	-	2,105,387	52,308,227	49,020,439	-	(3,287,788)	94 %	69 %
Department of Chief Audit Executive	650,000	(650,000)	-	-	-	-	-	-	-	- %	- %
Department of Risk And Compliance	50,712	(38,712)	12,000	-	18,000	30,000	30,000	-	-	100 %	59 %
Department of IDP And PMS	-	-	-	-	-	-	-	-	-	- %	- %
Department of Communication	100,000	(80,000)	20,000	-	(17,000)	3,000	9,608	-	6,608	320 %	10 %
Capital single-year expenditure sub-total	190,029,145	(89,504,968)	100,524,177	-	2,513,439	103,037,616	91,260,418	-	(11,777,198)	89 %	48 %
Total Capital Expenditure - Vote	378,029,950	(69,635,759)	308,394,191	-	-	308,394,191	269,757,843	-	(38,636,348)	87 %	71 %

Drakenstein Municipality

Appendix B3

Reconciliation of Budgeted Capital Expenditure by Vote, Standard Classification and Funding

	2020/2019										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustments Budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by law)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	%
Capital Expenditure - Standard											
Governance and administration	44,633,429	(26,944,010)	17,689,419	-	(1,898,348)	15,791,071	11,173,823	-	(4,617,248)	71 %	25 %
Executive and council	300,000	(20,772)	279,228	-	(4,326)	274,902	98,252	-	(176,650)	36 %	33 %
Finance and administration	43,683,429	(26,273,238)	17,410,191	-	(1,894,022)	15,516,169	11,075,571	-	(4,440,598)	71 %	25 %
Internal audit	650,000	(650,000)	-	-	-	-	-	-	-	- %	- %
Community and public safety	120,355,468	(41,783,959)	78,571,509	-	675,497	79,247,006	61,739,621	-	(17,507,385)	78 %	51 %
Community and social services	15,055,000	(12,035,798)	3,019,202	-	(64,938)	2,954,264	2,361,281	-	(592,983)	80 %	16 %
Sport and recreation	32,949,968	(2,426,011)	30,523,957	-	2,294,279	32,818,236	22,855,720	-	(9,962,516)	70 %	69 %
Public safety	7,330,500	(2,645,754)	4,684,746	-	(661,424)	4,023,322	2,788,738	-	(1,234,584)	69 %	38 %
Housing	65,020,000	(24,676,396)	40,343,604	-	(892,420)	39,451,184	33,733,882	-	(5,717,302)	86 %	52 %
Health	-	-	-	-	-	-	-	-	-	- %	- %
Economic and environmental services	27,565,000	31,313,916	58,878,916	-	(744,822)	58,134,094	57,448,565	-	(685,529)	99 %	208 %
Planning and development	15,000	115,995	130,995	-	116,000	246,995	282,742	-	35,747	114 %	1,885 %
Road transport	27,550,000	31,197,921	58,747,921	-	(860,822)	57,887,099	57,165,823	-	(721,276)	99 %	207 %
Environmental protection	-	-	-	-	-	-	-	-	-	- %	- %
Trading services	184,826,053	(31,781,706)	153,044,347	-	1,967,673	155,012,020	139,185,833	-	(15,826,187)	90 %	75 %
Energy sources	46,930,000	3,638,836	50,568,836	-	1,558,244	52,127,080	53,542,646	-	1,415,566	103 %	114 %
Water management	99,954,615	(41,450,128)	58,504,487	-	6,491,514	64,996,001	51,574,113	-	(13,421,888)	79 %	52 %
Waste water management	22,656,438	17,629,586	40,286,024	-	(5,682,085)	34,603,939	31,529,734	-	(3,074,205)	91 %	139 %
Waste management	15,285,000	(11,600,000)	3,685,000	-	(400,000)	3,285,000	2,539,340	-	(745,660)	77 %	17 %
Other	650,000	(440,000)	210,000	-	-	210,000	210,000	-	-	100 %	32 %
Other	650,000	(440,000)	210,000	-	-	210,000	210,000	-	-	100 %	32 %
Total Capital Expenditure - Standard	378,029,950	(69,635,759)	308,394,191	-	-	308,394,191	269,757,842	-	(38,636,349)	87 %	71 %
Funded by:											
National Government	88,415,000	3,535,000	91,950,000	-		91,950,000	88,613,220		(3,336,780)	96 %	100 %
Provincial Government	55,520,000	1,409,916	56,929,916	-		56,929,916	54,568,536		(2,361,380)	96 %	98 %
District Municipality	-	-	-	-		-	-		-	- %	- %
Other transfers and grants	2,637,968	1,142,960	3,780,928	-		3,780,928	1,527,332		(2,253,596)	40 %	58 %
Transfers recognised - capital	146,572,968	6,087,876	152,660,844	-		152,660,844	144,709,088		(7,951,756)	95 %	99 %
Public contributions & donations	-	-	-	-		-	-		-	- %	- %
Borrowing	222,575,332	(128,572,114)	94,003,218	-		94,003,218	93,963,326		(39,892)	100 %	42 %
Internally generated funds	8,881,650	52,848,479	61,730,129	-		61,730,129	31,085,427		(30,644,702)	50 %	350 %
Total Capital Funding	378,029,950	(69,635,759)	308,394,191	-		308,394,191	269,757,841		(38,636,350)	87 %	71 %

Drakenstein Municipality

Appendix C

Disclosure of Grants and Subsidies in Terms of Section 123 of the MFMA, 56 of 2003

	Quarterly Receipts							Quarterly Expenditure (Capital and Operating)						
Description	Opening Balance 01 July 2019	Restate- ments	Restated Opening Balance 01 July 2019	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total	Closing Balance 30 June 2020
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
National Government (Unconditional Grant)														
G/F : EQUITABLE SHARE	-	-	-	(62,750,000)	(50,200,000)	-	(37,651,000)	(150,601,000)	62,750,711	326	50,201,480	37,648,483	150,601,000	-
	-	-	-	(62,750,000)	(50,200,000)	-	(37,651,000)	(150,601,000)	62,750,711	326	50,201,480	37,648,483	150,601,000	-
National Government (Conditional Grant)														
G/F : EPWP TOEKENING VIR INFRASTRUKPROJEKT CWL	-	-	-	(1,297,000)	(2,334,000)	(1,554,000)	-	(5,185,000)	-	3,631,000	-	1,554,000	5,185,000	-
G/F : BUDGET REFORM PROGRAMME NATIONAL TREASURY	-	-	-	(1,550,000)	-	-	-	(1,550,000)	-	299,859	84,261	1,165,874	1,549,994	(6)
G/F : NATIONAL TREASURY (COVID - 19)	-	-	-	-	-	-	(477,000)	(477,000)	-	-	-	477,000	477,000	-
G/F : IUDG	-	-	-	-	(14,638,648)	-	(34,411,352)	(49,050,000)	-	2,122,599	7,233,211	39,694,190	49,050,000	-
G/F : IIPSAS	-	-	-	-	-	-	(24,822,304)	(24,822,304)	-	-	-	24,822,304	24,822,304	-
G/F : RURAL DEVELOPMENT (SARON ROADS)	(639,324)	-	(639,324)	-	-	-	-	(639,324)	-	-	-	-	-	(639,324)
G/F : ELECTRIFICATION FUNDING (INEP)	-	-	-	(5,000,000)	(9,859,901)	(1,000,000)	859,901	(15,000,000)	-	6,565,970	-	8,434,027	14,999,997	(3)
G/F : ELEKT DEMANDSIDE	-	-	-	(2,000,000)	(2,000,000)	-	(1,000,000)	(5,000,000)	-	4,839,728	10,527	137,004	4,987,259	(12,741)
	(639,324)	-	(639,324)	(9,847,000)	(28,832,549)	(2,554,000)	(59,850,755)	(101,723,628)	-	17,459,156	7,327,999	76,284,399	101,071,554	(652,074)
Provincial Government (Conditional Grant)														
G/F : LG GRADUATE INTERNSHIP	(39,569)	39,569	-	-	-	(2,038,212)	2,038,212	-	-	-	-	-	-	-
G/F : LG GRADUATE INTERNSHIP	(60,000)	(39,569)	(99,569)	-	-	-	-	(99,569)	-	-	-	51,982	51,982	(47,587)
G/F : CHICARGO	(8,500)	-	(8,500)	-	-	-	-	(8,500)	-	-	-	-	-	(8,500)
G/F : DEVELOPMENT OF SPORT AND RECREATION FACILITIES	(67,098)	-	(67,098)	-	-	-	-	(67,098)	-	-	-	-	-	(67,098)
G/F : GREENEST TOWN AWARD	-	-	-	-	-	(260,000)	-	(260,000)	-	-	-	-	-	(260,000)
G/F : HUMAN SETTLEMENTS	(672,000)	-	(672,000)	-	-	-	-	(672,000)	-	-	-	-	-	(672,000)
G/F : SIYASHLALA	-	(394,834)	(394,834)	-	-	-	(21,729)	(416,563)	-	-	-	-	-	(416,563)
G/F : KINGSTON / LANTANA	-	(714,884)	(714,884)	-	-	-	(2,216,187)	(2,931,071)	-	447,876	-	2,167,177	2,615,053	(316,018)
G/F : KINGSTON TOWN TRANSFERS	(24,000)	-	(24,000)	-	-	-	-	(24,000)	-	-	-	-	-	(24,000)
G/F : GOUDA	(704,674)	-	(704,674)	-	-	-	(135,000)	(839,674)	-	-	-	205,751	205,751	(633,923)
G/F : ERF 2220 (NOODKAMP)	(802,653)	-	(802,653)	-	-	-	-	(802,653)	-	-	-	-	-	(802,653)
G/F : NEW SIZAYAMA	(916,838)	746,818	(170,020)	-	-	-	-	(170,020)	-	-	-	170,020	170,020	-
G/F : P59 FAIRYLANDS INCOME	(7,492,039)	-	(7,492,039)	-	-	-	(53,700)	(7,545,739)	-	-	-	43,478	43,478	(7,502,261)
G/F : HOUSING SCHEME 49	(1,262,587)	1,132,404	(130,183)	-	-	-	-	(130,183)	-	-	-	-	-	(130,183)
G/F : DROMMEDARIS ST EHP	(732,415)	-	(732,415)	-	-	-	-	(732,415)	-	2,271,414	292,936	(2,564,350)	-	(732,415)
G/F : CARTERVILLE HOUSING PROJECT	(956,503)	-	(956,503)	-	-	-	-	(956,503)	-	-	-	-	-	(956,503)
G/F : 1068 HUISE WD SKENKING	(341,699)	-	(341,699)	-	-	-	-	(341,699)	-	-	-	-	-	(341,699)
G/F : DALJOoricapHAT TRANSFERS	(453,180)	-	(453,180)	-	-	-	-	(453,180)	-	-	-	-	-	(453,180)
G/F : AMSTELHOF PROJECT 35	(10,348)	-	(10,348)	-	-	-	-	(10,348)	-	-	-	-	-	(10,348)
G/F : MANDELA ROUTE	(15,000)	-	(15,000)	(1,187,341)	-	-	1,187,341	(15,000)	-	-	-	-	-	(15,000)
G/F : PAARL EAST HOUSING PROJECT	(320,972)	-	(320,972)	-	-	-	-	(320,972)	-	-	-	274,285	274,285	(46,687)
G/F : DROMMEDARIS ST EHP	(140,064)	-	(140,064)	-	-	-	-	(140,064)	-	-	-	-	-	(140,064)
G/F : VLAKKELAND	(7,399,194)	-	(7,399,194)	-	-	-	-	(7,399,194)	-	-	-	7,399,194	7,399,194	-
G/F : VLAKKELAND (Donated)	-	-	-	-	-	-	(27,635,327)	(27,635,327)	-	-	-	27,635,327	27,635,327	-
G/F : DRONE (Donated)	-	-	-	-	-	-	(53,945)	(53,945)	-	-	-	53,945	53,945	-

Drakenstein Municipality

Appendix C

Disclosure of Grants and Subsidies in Terms of Section 123 of the MFMA, 56 of 2003

Description	Quarterly Receipts							Quarterly Expenditure (Capital and Operating)						Closing Balance 30 June 2020
	Opening Balance 01 July 2019	Restate- ments	Restated Opening Balance 01 July 2019	Sep	Dec	Mar	Jun	Total	Sep	Dec	Mar	Jun	Total	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
G/F : TABLET FOR DRONE (Donated)	-	-	-	-	-	-	(16,992)	(16,992)	-	-	-	16,992	16,992	-
G/F : TITLE DEEDS	(2,784,000)	-	(2,784,000)	-	-	-	-	(2,784,000)	-	-	-	-	-	(2,784,000)
G/F : CHESTER WILLIAMS & PAARL LOVERS LANE	(383,312)	-	(383,312)	-	-	-	-	(383,312)	-	-	-	-	-	(383,312)
G/F : NCEDOLWETHU/CHRIS HANI	(2,000)	-	(2,000)	-	-	-	-	(2,000)	-	-	-	-	-	(2,000)
G/F : DALJOORICAP AHT (PHASE 1-3)	(90,000)	-	(90,000)	-	-	-	-	(90,000)	-	-	-	-	-	(90,000)
G/F : LIBRARY SERVICES CONDITIONAL GRANT	(89,885)	-	(89,885)	-	(11,380,667)	-	(5,690,333)	(17,160,885)	-	11,380,667	73,420	5,706,166	17,160,253	(632)
G/F : FINANCIAL MANAGEMENT SUPPORT GRANT	(120,805)	120,805	-	-	(240,000)	-	-	(240,000)	-	-	-	104,000	104,000	(136,000)
G/F : PROVINCIAL TREASURY (COVID - 19)	-	-	-	-	-	-	(1,000,000)	(1,000,000)	-	-	-	1,000,000	1,000,000	-
G/F : SERVICE DELIVERY AND CAPACITY BUILDING GRANT	-	-	-	-	-	(222,000)	(1,816,212)	(2,038,212)	-	-	-	2,038,247	2,038,247	35
G/F : SCHOONGEZIGHT	-	-	-	-	-	-	(3,713,346)	(3,713,346)	-	-	-	639,222	639,222	(3,074,124)
G/F : COMMUNITY DEVELOPMENT WORKERS	(42,281)	-	(42,281)	-	-	-	(222,000)	(264,281)	-	-	-	18,409	18,409	(245,872)
G/F : FINANCIAL MANAGEMENT CAPACITY BUILDING	(179,751)	(120,805)	(300,556)	-	-	-	(380,000)	(680,556)	-	78,834	-	258,389	337,223	(343,333)
G/F : PUBLIC WORKS AND TRANSPORT (ROADS)	-	-	-	-	-	(11,810,420)	(17,160,032)	(28,970,452)	-	7,332,837	4,817,655	16,819,960	28,970,452	-
G/F : PUBLIC WORKS AND TRANSPORT (ROADS)	-	-	-	-	-	(1,950,508)	1,228,677	(721,831)	-	-	-	723,467	723,467	1,636
G/F : COMMUNITY DEVELOPMENT WORKERS	(473,931)	-	(473,931)	-	-	-	-	(473,931)	-	-	-	-	-	(473,931)
	(26,585,298)	769,504	(25,815,794)	(1,187,341)	(11,620,667)	(16,281,140)	(55,660,573)	(110,565,515)	-	21,511,628	5,184,011	62,761,661	89,457,300	(21,108,215)
Other Grants (Unconditional Grant)														
G/F : TRAINING LEVY	(127,697)	-	(127,697)	(420,151)	(335,157)	(272,666)	(320,354)	(1,476,025)	-	36,139	-	387,478	423,617	(1,052,408)
G/F : DBSA CEF	-	-	-	-	-	-	(4,000,000)	(4,000,000)	-	-	-	4,000,000	4,000,000	-
G/F : OR THAMBO EMERGENCY KITS	(1,191,615)	-	(1,191,615)	-	-	-	-	(1,191,615)	-	-	-	-	-	(1,191,615)
G/F : DE KRAAL	(964,748)	-	(964,748)	-	-	-	-	(964,748)	-	-	-	-	-	(964,748)
G/F : NUMARKT	(558,344)	-	(558,344)	(36,107)	(2,413,247)	-	-	(3,007,698)	-	48,385	736,380	749,762	1,534,527	(1,473,171)
G/F : WATER TANKS	-	-	-	-	-	-	(438,795)	(438,795)	-	-	-	438,795	438,795	-
G/F : FUND:PERFORMANCE MANAGMENTS SYSTEM(PMS)	(300,000)	-	(300,000)	-	-	-	-	(300,000)	-	-	-	-	-	(300,000)
G/F : SIMONDIUM	-	-	-	-	(15,125,000)	-	(1,187,341)	(16,312,341)	-	-	14,089,702	1,187,341	15,277,043	(1,035,298)
G/F : CAPE WINELANDS (COVID - 19)	-	-	-	-	-	-	(2,894,801)	(2,894,801)	-	-	-	1,707,800	1,707,800	(1,187,001)
	(3,142,404)	-	(3,142,404)	(456,258)	(17,873,404)	(272,666)	(8,841,291)	(30,586,023)	-	84,524	14,826,082	8,471,176	23,381,782	(7,204,241)
Guarantees and Donations														
G/F : UNSPEND MONEY (PROJECT 59) GUARENTEE	(623,636)	-	(623,636)	-	-	-	-	(623,636)	-	-	-	-	-	(623,636)
G/F : TRUST FUND : MUN WEDUWEE & WESE PENSIÖEN	(363,572)	-	(363,572)	-	-	-	-	(363,572)	-	-	-	-	-	(363,572)
G/F : SPORTSFIELD	-	-	-	-	-	-	(600,000)	(600,000)	-	-	-	600,000	600,000	-
G/F : TABLETS	-	-	-	-	-	-	(10,321)	(10,321)	-	-	-	10,321	10,321	-
G/F : CONRAD PUMPSTATION	-	-	-	-	-	-	(387,977)	(387,977)	-	-	-	387,977	387,977	-
G/F : WILDE PAARDE	-	-	-	-	-	-	(5,829,534)	(5,829,534)	-	-	-	5,829,534	5,829,534	-
G/F : NEWTON (ELECTRICITY)	-	-	-	-	-	-	(210,220)	(210,220)	-	-	-	210,220	210,220	-
G/F : HONEYDEW ESTATE (ELECTRICITY)	-	-	-	-	-	-	(591,509)	(591,509)	-	-	-	591,509	591,509	-
	(987,208)	-	(987,208)	-	-	-	(7,629,561)	(8,616,769)	-	-	-	7,629,561	7,629,561	(987,208)
Total	(31,354,234)	769,504	(30,584,730)	(74,240,599)	(108,526,620)	(19,107,806)	(169,633,180)	(402,092,935)	62,750,711	39,055,634	77,539,572	192,795,280	372,141,197	(29,951,738)